AllianceBernstein Investments

Press Release

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COLLEDGE DEBT HAS PROFOUND EFFECT ON FINANCIAL SECURITY, WELL-BEING AND LIFE CHOICES FOR YEARS TO COME

Among Those Graduating College with Debt:

- **34% say they have sold possessions to make ends meet**
- **42% say they live "paycheck-to-paycheck"**
- **27% say they delayed getting a medical or dental procedure**

Material Granny? 31% with Outstanding College Loans Say Madonna Will Become a Grandmother Before Their Debt is Paid Off

Failing Grades: One-Third of Indebted Graduates Give Parents "D" or "F" for Financial Preparations

9-in-10 Say Graduating Without Debt is a "Big Advantage in Life"

New York, NY, May 26, 2006 – College debt has a profound effect on well-being, financial security, and career and lifestyle choices for years after college, according to "The College Debt Crunch," a survey of college graduates released today by AllianceBernstein Investments, Inc.

"Large amounts of college debt put graduates in a hole that can take years, even decades from which to emerge," said Richard A. Davies, Senior Managing Director, Retirement and College Savings Plans, AllianceBernstein Investments, the retail asset management arm of AllianceBernstein, L.P. "Funding a college education isn't just about those four years; it's about a young adult's ability to start a family, buy a house and, ultimately, even to one day retire.

"College funding is a fundamental financial and life planning issue," Davies said. "When you saddle young adults with debt, they're not just borrowing their college tuition; they're borrowing from their future."

The Internet poll of 1,508 college graduates ages 21 to 35 examined their college finances and experiences, as well as their current circumstances, attitudes and lifestyle. The poll was conducted between April 24 and May 1, 2006 by the national polling firm of Mathew Greenwald & Associates, Inc.[1]

The Real World: College-Debt Edition

College debt can have a profound effect on quality of life. While the first decade out of college is financially challenging for many people, it is particularly so for those with college debt.

Asked whether they would describe themselves as "living paycheck-to-paycheck," 42% of respondents with college debt said that described them "very well" while only 24% of those who graduated without debt said so. Moreover, more than one-third (34%) of those with college debt reported having sold personal possessions such as furniture, clothing and CDs to make ends meet – compared with just 17% of the debt-free.

For parents and students alike, the stakes are rising quickly. According to the College Board, over the past decade total charges (defined as tuition, fees, room and board) at private four-year university have risen at an average annual rate of 6% and total charges now average $29,026 per year; at four-year public colleges the average annual increase has been 7% and total charges now average $12,127 per year.[2]

"College financing is a challenging issue for most American families, and the fact that college costs are climbing much faster than the rate of inflation does not make it likely that the problem will go away anytime soon," Davies said. "The problem is that the full dimension is not felt for years afterwards. It's as if survey respondents are saying, 'If only I knew then, what I owe now.'"

Not surprisingly, those who graduate college without debt remain in a much better financial position for years afterwards.

Respondents who graduated with no college debt are also more likely to be satisfied with their current savings levels (42% vs. 23% for people with debt), express a much higher level of financial satisfaction (52% vs. 32%) and have higher accumulated average savings ($53,900 vs. $36,500).[3]

College Debt: Here Today, Here Tomorrow

College debt is not easily eliminated. Sixty-nine percent of respondents who reported that they or a spouse had undergraduate and/or graduate debt are still paying it off – not surprising, perhaps, given that respondents were one-to-15 years out of school. The average outstanding balance is more than $29,000.

Of those who are still paying off household college debt, 39% said it will take them more than 10 years and 31% said pop icon Madonna will become a grandmother before they finish paying off their college loans.

“College debt is not here today and gone tomorrow,” Davies said. “For these young adults the situation can be even worse than it appears as they are typically carrying credit card debt, car loans and even mortgages. For too many young adults, the designation ‘Generation Debt’ can be an apt one.”

Forty-three percent of respondents with college debt used a credit card to pay tuition and/or other college expenses. Of those, almost one-third (32%) carried that debt for more than five years.

Circumstances for those with college debt could get even worse if interest rates rise further. More than half (53%) of those in households still paying off college or graduate school debt say a continued rise in interest rates would have a “major impact” on their ability to pay off education debt. As it is, about three-in-10 (29%) said they regularly or occasionally skip payments.

College debt has a personal downside as well. Of respondents in households that are still paying off college or graduate school debt, 48% said that education-related debt had contributed to feelings of anxiety or sleeplessness, 38% said it had contributed to depression, 34% said it had contributed to arguments with a spouse or significant other and 24% reported that education debt had contributed to compulsive shopping or spending.

Life Events Delayed, Career Dreams Deferred

The impact of college debt is not just a financial one. The results of the survey also showed how college debt can affect life events and career choices.

In terms of life events, respondents still paying off education-related debt individually and/or for a spouse say their debt has required them to delay some key "rites of passage" into adulthood:

- 44% have delayed buying a house
- 28% have delayed having children
- 32% were forced to move back in with a parent or guardian or live at home longer than expected.

The indebted have even neglected some basic needs: 27% say their financial situation has caused them to delay getting a dental or medical procedure.

Career choices are also affected by debt: among those graduating college with debt, 43% report having postponed graduate school, compared with 25% of the debt-free. Thirty-nine percent of those with college debt said they had left a job they liked because they didn't make enough money; that compares with 30% of those who left college without debt.

It all adds up to less optimism about themselves and their careers. Almost half (48%) of respondents with debt said they were below where they expected to be at this point in their life when they graduated college; 34% of respondents with no debt responded that way.

"The numbers only tell part of the story. The psychological and emotional underside of college debt does not receive the attention it deserves," said Jennifer DeLong, Director, College Savings Plans, and manager of AllianceBernstein's 529 plan offering, CollegeBound*fund*®. "It's hard to feel like you're making progress in life, when 10 years after graduating you're still receiving a monthly reminder of your college obligations."

The Impact of College Debt Spans Generations

The survey found that college debt hinders long-term prospects as well as the ability to save for one's own children's college education.

More than half (55%) of those with household education debt said that debt has limited how much they've been able to save for retirement. Just 23% of those with household education debt said they save more each year than they pay out in college loans or other debt obligations.

College debt can also impact one's confidence in their ability to play financial catch-up. Thirty percent of those with college debt (vs. 21% of the debt-free) said they were not confident in their ability to make investment decisions.

Among those graduates who have or plan to have children, 24% of those who graduated with college debt say they have started saving for their children's college education; that compares with 32% of those who graduated college without debt.

"One goes to college for four years but can pay the price for 40 years," DeLong said. "But even more troubling is the way a failure to plan for college can cross generations. Unless Americans come to understand the long-term consequences of failing to save for college, too many of today's parents will still be paying off their college loans at the same time they're paying for their children's tuition."

Of those with college debt, 47% said they think their family "should have done more to save for college." That compares with 18% of the debt-free. Just about one-third (32%) of those with college debt would give their parents or guardians a "D" or "F" for their financial preparations.

Impact on College Choice and Experience

The survey also found that college debt and college finances in general had a large effect on the college years – from school selection to the whole college experience. Better than one-in-five (22%) of those with debt said their finances "greatly limited their college choice" and once they got there the effect was also great. Seventy-six percent of respondents with debt said they "worried about money a lot in college."

While many respondents reported working at least part-time during college, the experience was much harder on those with debt:

- 55% of respondents with debt said the jobs they held during college affected their ability to study – vs. 40% with no debt;
- 42% of respondents with debt said the jobs they held during college affected their grades – vs. 30% with no debt;
- 63% of respondents with debt said the jobs they held during college limited their ability to participate in extra-curricular activities – vs. 46% with no debt;
- 45% of respondents with debt said the jobs they held during college limited their ability to participate in internships – vs. 30% with no debt.

Indebted or debt-free, all respondents agree that college finances matter: 87% of all respondents agreed that "having money in college gives you access to opportunities that can be beneficial to your future." Better than nine-in-10 (91%) of all respondents agreed that "people who graduate without any college debt have a big advantage in life."

Lessons Learned: Financial Advice Matters

The survey found that those who graduated college with debt and who have engaged a financial advisor tend to fare significantly better than those who go it alone.

In households in which one or both spouses graduated with education-related debt, 41% of those who use a financial advisor have paid off that debt (vs. 28% of those without an advisor). Of those still paying off debt, 51% of those with an advisor expect to pay it off within seven years (vs. 38% of those without an advisor). Finally, just 18% of "advised" households with education debt who have or are planning to have children say their debt has significantly impacted their ability to save for a child's college education (vs. 26% of those without an advisor).

"Professional financial advice can make a big difference in one's ability to pay off college debt and put in place a plan to ensure the next generation isn't similarly burdened," Davies said. "When it comes to paying for college, the good news is that you have 18 years to plan, there are a host of tax-advantaged solutions and you don't have to go it alone."

-- 30 --

NOTE TO EDITORS

AllianceBernstein has created a special slide-rule calculator that allows users to determine what it will cost to pay down college loans of varying amounts as well as what that loan repayment would add up to were it invested in a hypothetical portfolio with an assumed annual return of 6% for 10-, 20-, 30-, and 40-year periods. The College Debt Crunch Slide-Rule can be obtained by calling (800) 227-4618.

ABOUT ALLIANCEBERNSTEIN INVESTMENTS

For over 40 years, AllianceBernstein Investments, Inc., the retail unit of AllianceBernstein L.P., has helped investors build and preserve wealth by providing innovative investment solutions from a diverse line of investment vehicles including mutual funds, college savings (529) plans, retirement products and separately managed accounts.

As a globally recognized leader in growth, value and fixed income investing, AllianceBernstein services over four million client relationships with approximately $146 billion in assets under management, for both US and non-US investors, as of March 31, 2006.

Our parent company, AllianceBernstein L.P., is comprised of three additional businesses which combined had assets under management totaling approximately $635 billion as of April 30, 2006.

ABOUT THE SURVEY

[1]Of the 1,508 surveyed, 1,007 interviews were conducted with graduates who left college with at least some debt, and 501 who graduated college without debt. In order to accurately reflect the views of all college graduates, the overall survey results have been weighted by education, gender and age to be representative of the U.S. college graduate population. The margin of error at the 95% confidence level for the entire sample of 1,508 is plus or minus 2.5 percentage points. The margin of error for those graduating with debt is plus or minus 3.1 percentage points and the margin of error for those graduating without debt is plus or minus 4.3 percentage points.

[2]College Board, “Trends in College Pricing,” 2005

[3]Includes savings, certificates of deposit, stocks, bonds, mutual funds, retirement savings plans and other investments.