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HIGH SCHOOL STUDENTS STEP UP TO FUND THEIR OWN COLLEGE COSTS, SAYS COLLEGE SAVINGS FOUNDATION SURVEY

Three quarters of teens say it's their responsibility

Miami, February 25, 2010 – The next generation of college-bound students believe it's up to them to shoulder the costs of higher education and are resigned to as much as a decade of debt to do so. These are key findings of the College Savings Foundation's first *How Youth Plan to Fund College* Survey of over 500 high school students across the country presented at the organization's fifth annual conference "Leading the Way Forward: The Next Decade of College Savings," February 24-26 in Miami.

Three quarters (75 percent) of 16-17 year old high school students surveyed said that it is their responsibility to fund part or all of their higher education costs. Although students plan to cover those costs through financial aid, loans and their own funds, deeper questioning in the survey revealed concern about overall debt levels and a lack of awareness of exactly how much debt and savings they will need.

"A new dynamic is reshaping the college funding landscape as many parents with reduced retirement savings and earning power are now unwilling to take on long term loans on behalf of their college-bound teens. This shifts the burden of funding straight to the student," said Peter Mazareas, Chair of CSF, a nonprofit leader helping parents save for their children's college education. Meanwhile, government loan programs which previously may have lightened the load are not sufficient to cover the escalating costs of college.

As a result, the vast majority (77 percent) of high school students surveyed are grappling with tradeoffs, saying that the cost of school will definitely (30 percent) or possibly (47 percent) influence their further education plans. Of these students, 55 percent said that costs will be a factor in *which* college they decide to attend.

At the same time, the high school students seem ready to sacrifice to meet their long-term goals: 70 percent of all students surveyed will definitely (36 percent) or possibly (34 percent) save for college or post-secondary school; and 72 percent would definitely or possibly receive money for college rather than tangible gifts.

All this responsibility has not negatively affected the student-parent dialogue. Seventy percent of all students are talking to their parents about how much college costs. And despite 55 percent of their college savings being affected by current market conditions (29 percent definitely and 26 percent possibly), only 28 percent of all students said that college funding had created anxiety in the household.

Instead students appear to be proactive in contributing to college costs. Sixty-three percent of the teens are definitely (22 percent) or possibly (41 percent) planning to use their own funds for college or higher education costs, with 40 percent of those students planning to use them for 26-50 percent of their total costs.

To meet these goals, 45 percent of all students surveyed have already begun to save and, of those, an impressive 43 percent have already amassed between \$1,000 and \$5,000 towards college. This same subgroup has shown its mettle against the pull of immediate gratification with over half (54 percent) giving up things like electronics, vacations or cars to save for college.

Cloud of Debt Hovers over Students' Futures

Student loans loom as both a major source of funding and a cloud over their futures. Sixty-six percent are either definitely or possibly taking out loans and are expecting those loans to cover sizeable portions of their higher education costs: 41 percent of this subgroup expects to borrow one-quarter to one-half, and 30 percent expect to borrow *more than half* of their higher education costs. Most of these students taking or considering loans are already concerned about their debt burden after college (60 percent “definitely yes” and 31 percent “possibly concerned”), and nearly one-third (29 percent) of them expect to take between 6-10 years to pay if off.

Compounding the uncertainty is the finding that the majority of students have not done their homework: 68 percent have not researched any type of student loan. Of the 66 percent who are taking out or considering loans, 80 percent has not projected the total amount they will need to graduate, and 82 percent hasn't calculated the monthly loan repayment amount.

On the savings side of the ledger, students are similarly unprepared: 70 percent of all high school students have not researched savings vehicles. A quarter of all students don't know how much they will need to save, and 58 percent only “possibly” know.

“We have a tremendous opportunity to take this generation of students who are willing and eager to take financial responsibility, and to raise their awareness of the saving and funding strategies that they will need for college and for life,” Mazareas said. “This can start with the parents who have a strong line of communication with their teens.”

On the topic of financial aid and scholarships, students have been more proactive: 85 percent are definitely (48 percent) or possibly (37 percent) planning on receiving financial aid to attend college or post-secondary school. Nearly half, 48 percent, of all students have researched some type of financial aid, and over half, 53 percent, of all high school students have researched scholarships. Sixty-nine percent are definitely (26 percent) or possibly (43 percent) receiving scholarships or applying for them.

Gaps in Students' Knowledge of Parents' Saving Strategies

A majority of students (65 percent) have discussed their parents' involvement in their college funding and many (45 percent) were pleased or very pleased with how much their parents had saved. Yet a closer look reveals gaps in knowledge about parent's saving strategies. Of the students who have discussed their parents' involvement, 63 percent say that their parents are saving for their college, but 38 percent of them don't know how much they have saved; and 42 percent don't know if they are saving a fixed amount each month.

Getting help from extended family does not appear to be a consideration for most teens surveyed. While 23 percent of the students had spoken to their grandparents or relatives

about college costs, only 9 percent of all high school students definitely expected money from them, and an additional 33 percent said “possibly.” Of those students who think they will or could get grandparent help, 40 percent expected less than \$5,000. This corresponds to the findings of CSF’s 2009 *State of College Savings* survey of parents, which showed that only 22 percent of parents would even talk to grandparents about college costs.

The CSF *How Youth Plan to Fund College* Survey was conducted via Zoomerang with parental approval. Forty-four percent are headed to public college, 18 percent to private college and 22 percent to community colleges. Seventy-eight percent said that costs have not made them *change* their higher education choices. Of the 22 percent who said they would have to change choices, 54% had chosen community college.

The College Savings Foundation (CSF) is a Washington, D.C.-based not-for-profit organization whose mission is to help American families achieve their education savings goals, by working with public policy makers, media representatives and financial services industry executives in support of education savings programs. For more information on CSF and its mission, please access www.collegesavingsfoundation.org