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PARENTS BECOME MORE SELF RELIANT IN PAYING FOR HIGH COSTS OF COLLEGE, SAYS COLLEGE SAVINGS FOUNDATION'S 2011 STATE OF COLLEGE SAVINGS SURVEY

Savings and income can't stave off debt burden to children for years and decades to come

Washington, DC, August 15 -- Parents of college bound children are resigning themselves to the reality that the buck stops at their doorstep in funding the ever rising cost of college in an uncertain economic climate. A national survey of parents from across the country and income levels finds that they hold fewer illusions that external resources like financial aid or grandparents will pay for college. Instead they are relying on savings, current income and to a great extent education loans that will be shouldered primarily by their children in the years and decades to come. These are top line findings by the College Savings Foundation for its fifth annual 2011 *State of College Savings Survey*. www.collegesavingsfoundation.org

"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. At the same time, parents are worried that even their best efforts will not keep them and their children out of long term debt," said Roger Michaud, Chair of College Savings Foundation, a leading nonprofit helping American families save for their children's college education.

Nearly half, 48 percent of parents, are looking to education loans to pay for college – most of which will be signed over to their children - with the majority, 68 percent, taking from five to beyond 20 years to pay off. Sixty percent of parents expect to cobble together some funds from current income. And while 65 percent of parents are actually saving, they are not necessarily confident that they can reach their goals: 40 percent of all parents are not very confident that they can reach their college savings goals, as compared to 34 percent last year.

Regarding financial aid which in prior years appeared to be the backstop for college funding gaps, this year's survey saw a significant change: 38 percent of parents expect no financial aid at all, up from 28 percent last year. Only 29 percent expect it to cover up to 1/3 of college costs, down from 35 percent last year; and 20 percent expect it to cover from 1/3 to 2/3, down from 24 percent.

Parents aren't comfortable asking for help from friends or family – 69 percent won't ask for college funding instead of material gifts (up from 62 percent last year); and only 24 percent will ask, down dramatically from 31 percent last year.

There is still one big resource that parents *are* looking to for help and that is the U.S. government: 25 percent called for the President and Congress to regulate the cost of college. This was far ahead of the next most popular request (14 percent) to provide tax breaks to help lower- and middle-income families save for college.

Instead, parents continue to save for college on their own and those who use 529 college savings plans and automated savings plans are significantly more successful than those who don't: 76 percent of parents with 529 plans had saved more than \$5,000 per child, compared to only 29 percent of parents without one. Parents who are saving with 529s say it is because of the high costs of college and their flexibility as they can be transferred among children.

"529 college savings plans are designed to meet each saver's time horizon and risk tolerance. 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," Michaud said.

Another positive trend is an uptick in parents' financial literacy: 34 percent say they know how much they need to save to fund their child's college, up from 27 percent last year and the highest level in four years.

How 529s Help Families Save

One of the ways that parents are saving is through 529 college savings plans – still owned by around one quarter of the respondents and the number one college savings vehicle for 19 percent. Those who own a 529 say they do because of the rising cost of college (50 percent of 529 holders, up from 45 percent last year) and transferability of saving among children (39 percent of 529 holders, up from 28 percent last year).

Parents without a 529 plan are far less effective savers, with nearly half, 45 percent saving nothing at all. In contrast, parents with 529s are dramatically more successful savers than those without:

- 15% of 529 owners have saved between \$5,000 – \$10,000, as compared to 10% of those who don't own a 529
- 20.5% of 529 owners have saved between \$10,000 - \$25,000 as compared to only 8% of those without a 529
- 20.5 % of 529 owners have saved between \$25,000 - \$50,000 per child, versus only 4% of those without a 529
- 9% of 529 owners have saved between \$50,000 - \$100,000 versus 4% of those without a 529
- 11% of 529 owners have saved more than \$100,000 per child versus 3% of those without

As in last year's survey, around one-quarter (23 percent) are enrolled in automatic savings plans. Nearly twice as many people are socking away over \$500 per month than last year (15 percent versus 9 percent).

Parents are Teaming up with their Children on College Funding

The vast majority (88 percent) of parents with children 14-18 years old are talking to them about college funding; and 83 percent of parents with teenagers are talking to them about parents' involvement in paying for college. Of all parents, 60 percent are already

talking with their children about the costs of college and 56 percent of parents are talking about their involvement in paying for it.

What are they talking about? For one thing, parents are looking to their children to help financing: 62 percent of parents expect their children to help with financing. Thirty eight percent of parents expect their children to assume up to one-third of college financing; 14 percent between 1/3 and 2/3; and 10 percent over 2/3 of the costs. 44 percent expect their children to contribute with a job.

For some the conversation is bleaker. While overall parents don't want the economic environment to curtail educational opportunities for their children, 29 percent are acknowledging that they may have to narrow their child's college choices because of the cost of college. Eighteen percent cannot afford a 4-year private college, up from 16 percent last year.

The 2011-2012 State of College Savings Survey was conducted by the College Savings Foundation using an online Zoomerang survey of 843 parents across the country and various income levels. For additional information and to access our Executive Summary with charts and graphs, go to www.collegesavingsfoundation.org