



Motivating Parents to Save For College

What we can learn from consumer behavior trends

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American Families: The *NEW* Normal

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- A photograph of a family of four—a father, a mother, and two young children—lying on their backs on a grassy field. They are all smiling and laughing, creating a joyful and relaxed atmosphere. The image is slightly faded and serves as a background for the text.
- **New Definitions** – Family, College, Media, Flat World, Right and Wrong, Culture, Web 2.0 ...
 - **New Mood** – Realistic expectations, risk averse, trust issues, need for transparency ...
 - **New Sources of Information** – traditional media vs. new media, blogs and forums, social media platforms ...

However, Some Things Remain the Same.....

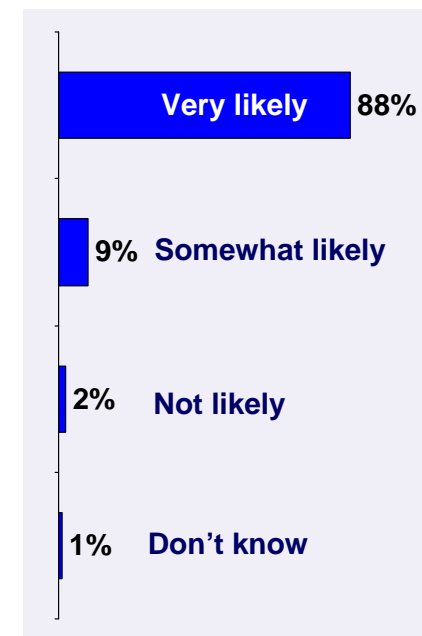
■ Our Keeping College Within Reach Research Efforts Show:

- Parents believe in the importance of higher education, and want college for their kids
- They are optimistic about their kids getting to college, but they remain concerned about rising college costs
- Low awareness of college savings options and financial aid/scholarship realities
- Traditional roles in families still persist – mom manages the home/budget and dad manages the investments
- Parents know they should be saving more. However, they struggle to balance what is needed today vs. what they ought to do for tomorrow

State of the College Dream

- **Strong belief in the value of a college degree**
 - **79%** agree its very important to obtain a college degree
 - **92%** intend to send their child to a 4-year college
 - **83%** believe that the cost of college is worth it, given a college education's value

How likely is it that your child/any of your children will attend college in the future?

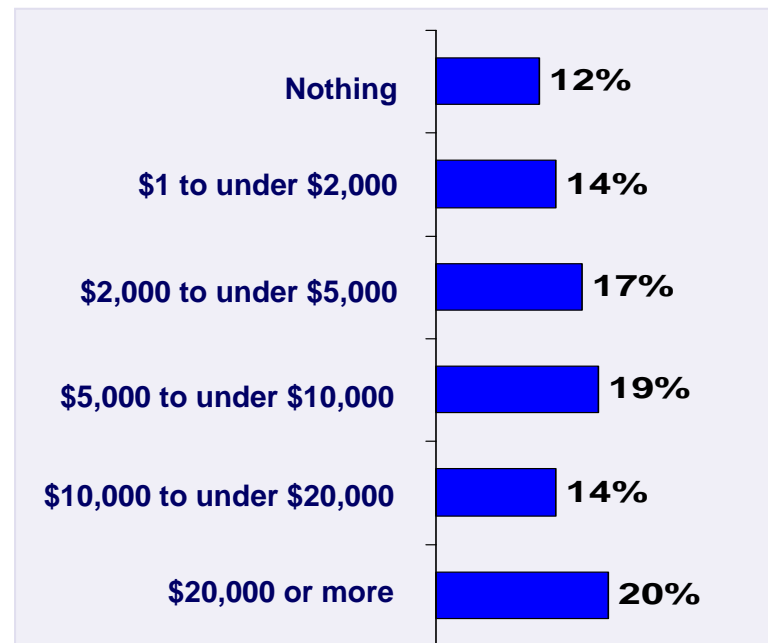


keeping [college within reach]

Parental Attitudes Towards College Planning

- **Parents don't want their children to bear the financial brunt, but their actual savings behavior does not correspond with aspirations**
 - **Over 80%** want to cover at least half of their kid's college education, don't want to burden kids with debt
 - **77%** saved less than \$20,000, **43%** saved less than \$5000

How much, if anything, have you saved for your kids' college education?

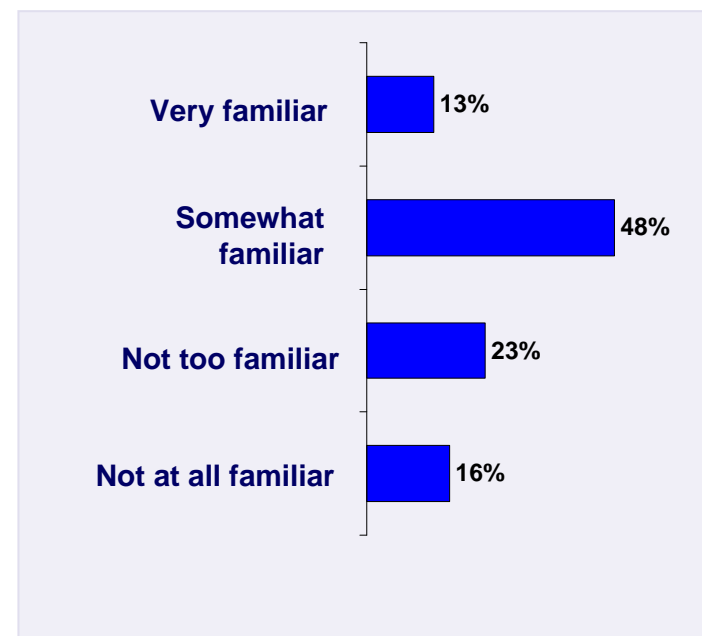




The Knowledge Gap

- **Heavy reliance on financial aid, scholarships and loans**
 - **56%** think scholarships will pay for a substantial part of college costs
 - **40%** say without student loans, their kids would not be able to go to college
- **Low understanding and adoption of savings options**
 - Only **60%** somewhat familiar with 529 plans
 - Only **20%** of respondents could name the 529 plan offered by their state

How familiar are you with college savings plans in general?



keeping [college within reach]

The Bottom Line : There is a Gap between Aspiration and Action.

Here is what behavioral economists say may be causing this gap:

- **Procrastination**

- Lack of urgency (no deadline)
- Focused on more immediate needs

People put off saving for much the same reason they hit the alarm snooze button: **Immediate rewards trump future rewards.**

- **Lack of Knowledge**

- Relevant information not available
- It seems too complex and hard

Behavioral economics has shown **too many choices can confuse people and ultimately prove ineffective.**



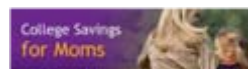
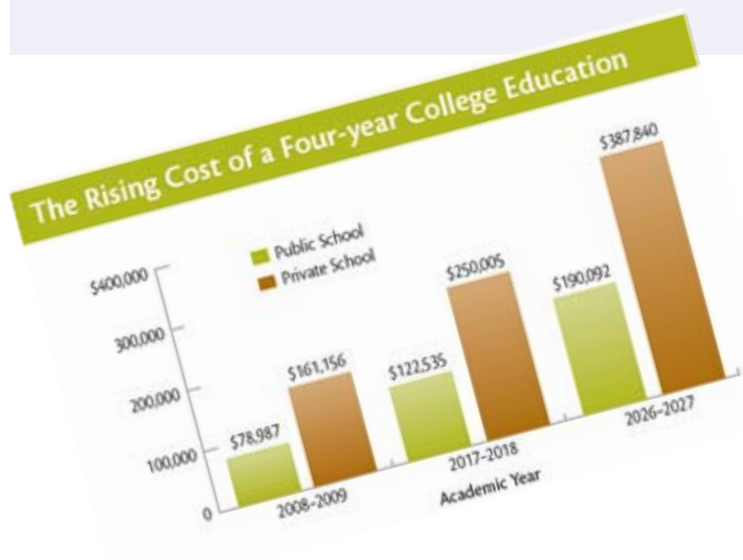
What Does this Mean For Us



Marketing “College Savings” Today - 3 Considerations

1. Understand Your Audience – One Size Doesn’t Fit All

- Relevant Messages, Right Channels
 - Scare tactics don’t help. But they need to know what is at risk
 - Focus on what the audience “*doesn’t know*”, rather than “*what they do*”
 - Showcase the “*how*” rather than the “*what*”
 - Don’t ignore web 2.0 and social media. Don’t blindly jump on the bandwagon either



Big Dreams Take Smart Planning



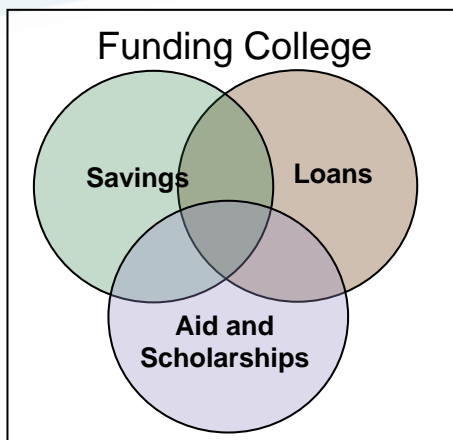
“Even though my husband and I don’t earn a lot, putting a little money into our children’s 529 plans each month should be a big help when it’s time to pay those tuition bills.”

—Linda, mother of two

Marketing “College Savings” Today - 3 Considerations

2. Focus on Bridging the Knowledge Gap

- Invest in educating parents on saving for college. Don't push product, offer a solution
- Product simplification and automation



E.g. age 20, and 20%, age 25, have a three-year interest in additional insurance protection to cover anticipated college expenses for \$100 to



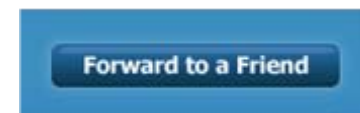
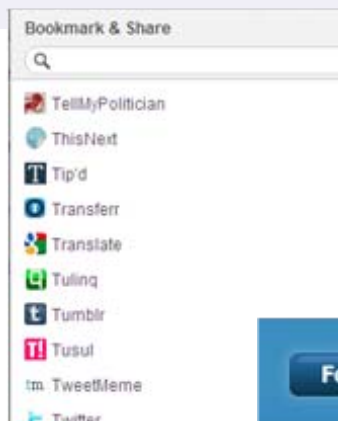
Investments and Fees

Total annual asset-based fees	Additional investor expenses	
	Maximum initial sales charge	Annual Account maintenance fee ⁴
0.79%	5.75% ⁵	\$10
0.87	used 0-6 Years Portfolio	15% 15%
0.73	used 7-9 Years Portfolio	12.5 12.5
0.90	used 10-11 Years Portfolio	10.5 10.5
	used 12-14 Years Portfolio	9 9
	used 15-17 Years Portfolio	5 5
	used 18 Years Portfolio	2 2
Index Age Based Portfolios¹		
Index Age Based 0-6 Years Portfolio		
Index Age Based 7-9 Years Portfolio		
Index Age Based 10-11 Years Portfolio		

Marketing “College Savings” Today - 3 Considerations

3. Build a Network of Evangelists

- People turn to others for guidance – financial advisors, guidance counselor, other parents, friends and family. Make it easy for them to be your evangelist
 - Keep in touch. Be transparent. Establish relationships
 - Listen. Listen. Listen. And Act.
 - Offer access to tools and content to help them spread the word



Is there college savings information that you'd like us to cover that you didn't see?

In Summary

- To make saving for college a norm, rather than an option, we need to:
 - Know our target audience and their evolving world
 - Work together to help bridge the knowledge gap
 - Focus on product simplification and automation

Thank You/ Q&A



Investments in 529 college savings plans are neither FDIC insured nor guaranteed and may lose value. Please note the plan's disclosure document includes details such as investment objectives, risks, charges and expenses, and other information that you should read and consider carefully before investing. Plan disclosure documents can be obtained directly from the plan. Investors should consider before investing whether their or their designated beneficiary's home state offers any state tax or other benefits that are only available for investments in such state's qualified tuition program.

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