CollegeSavings FOUNDATION

2017 Annual Conference

College Planning Challenges and the Role of 529 Plans

Saving for College is a Retirement Issue: Trends, Attitudes & Creative Resources Tapped in Saving & Paying for College

March 15, 2017

Moderator: Mary Nickeson, DST

- Marie O'Malley

  Senior Director of Consumer Research, Sallie Mae

- Mike O'Brien

  Director of Advisor Products, Franklin Templeton

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HOW AMERICA SAVES FOR COLLEGE 2016

Marie O'Malley, Sallie Mae's Senior Director of Consumer Research

March 15, 2017

SallieMae

Let's Make College Happen™

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Background

Study Objective

Determine how American families are saving for college

- Trend over time the behaviors and attitudes related to saving and planning for the costs of higher education

Methodology

Sixth survey and report

Quantitative online interviews conducted by Ipsos, May - June 2016

- 1,959 parents with children younger than age 18
- Margin of error: +/- 2 percentage points at 95% confidence level for the whole sample; +/- 3 percentage points for the saving sub-group

Sample weighted by age, gender, race/ethnicity, region, education and household income crossed by race

- Profiles for weighting sample sourced from 2012 US Census Bureau Current Population Survey (CPS)

Source: Sallie Mae and Ipsos, *How America Saves for College 2016*

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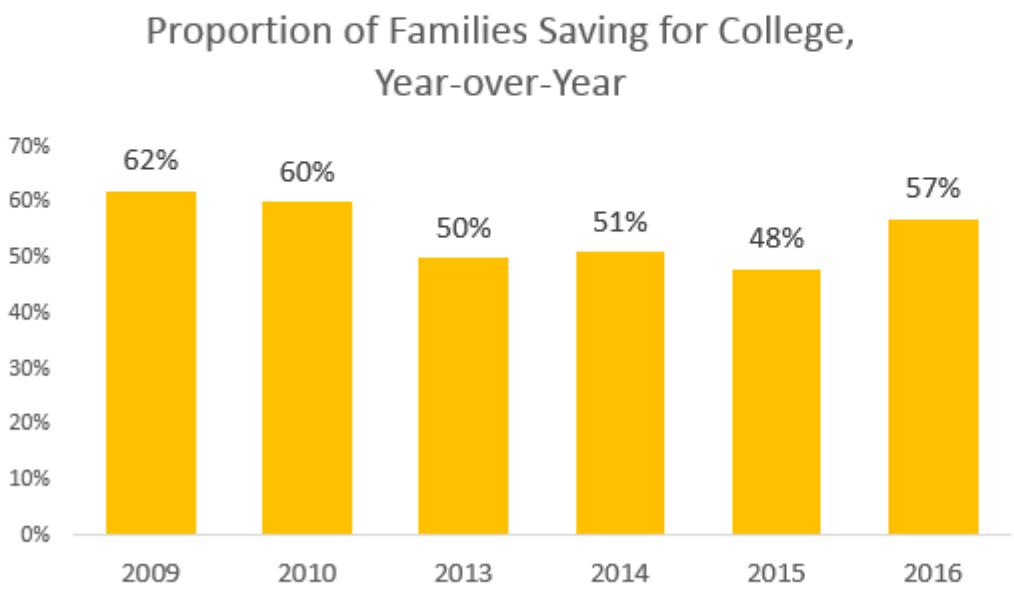
Saving for College

More families are saving for college

- Compared to the last 3 years, significantly more parents in 2016 report saving for their children's college education.



Source: Sallie Mae and Ipsos, *How America Saves for College 2016*

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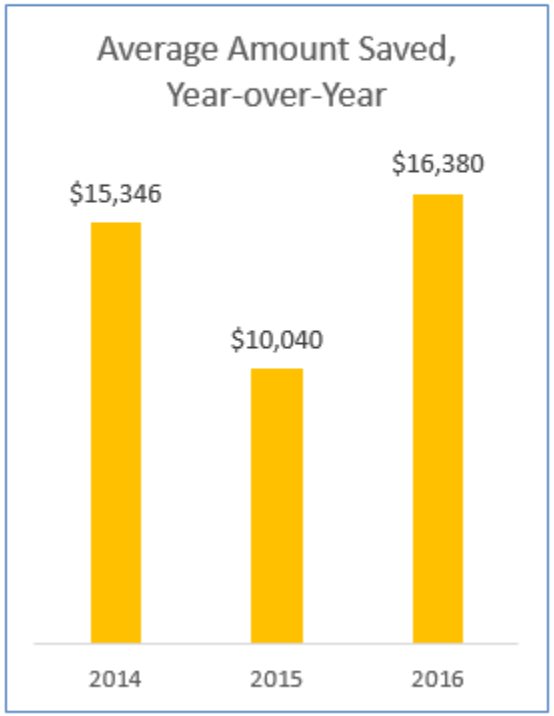
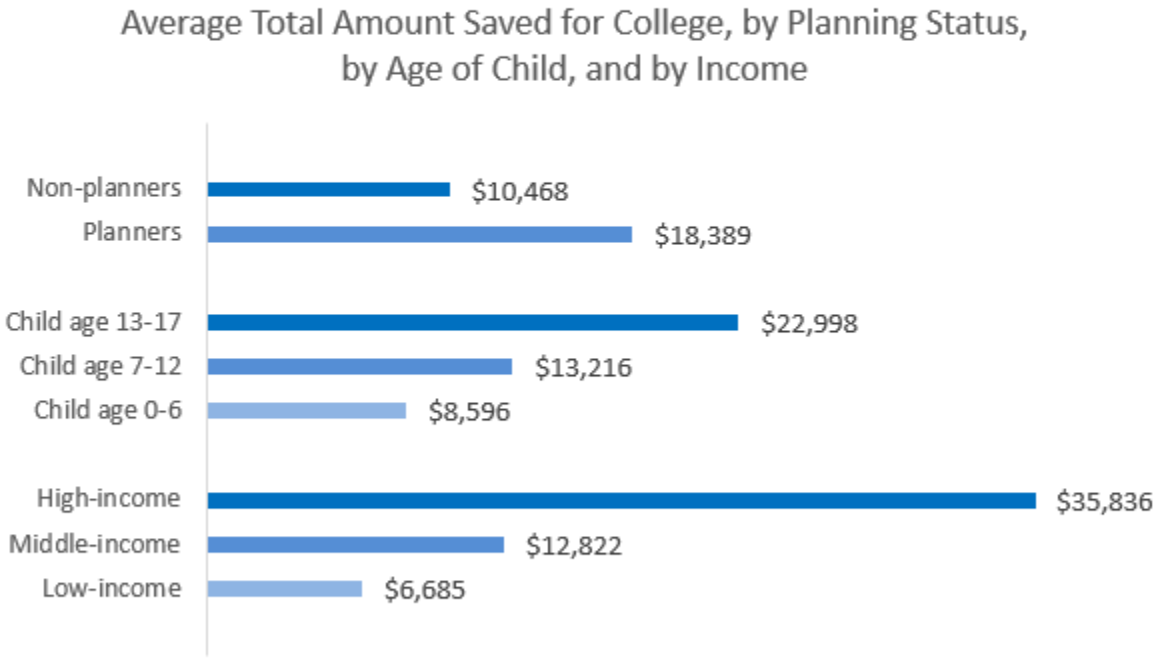
Saving for College

… and they are saving more money





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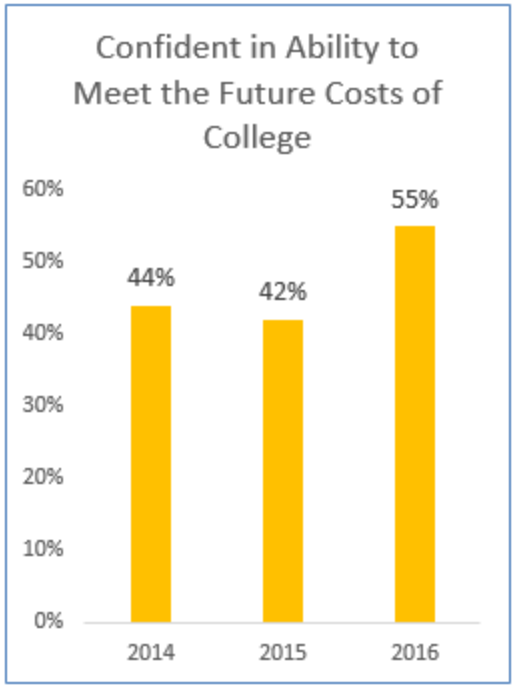
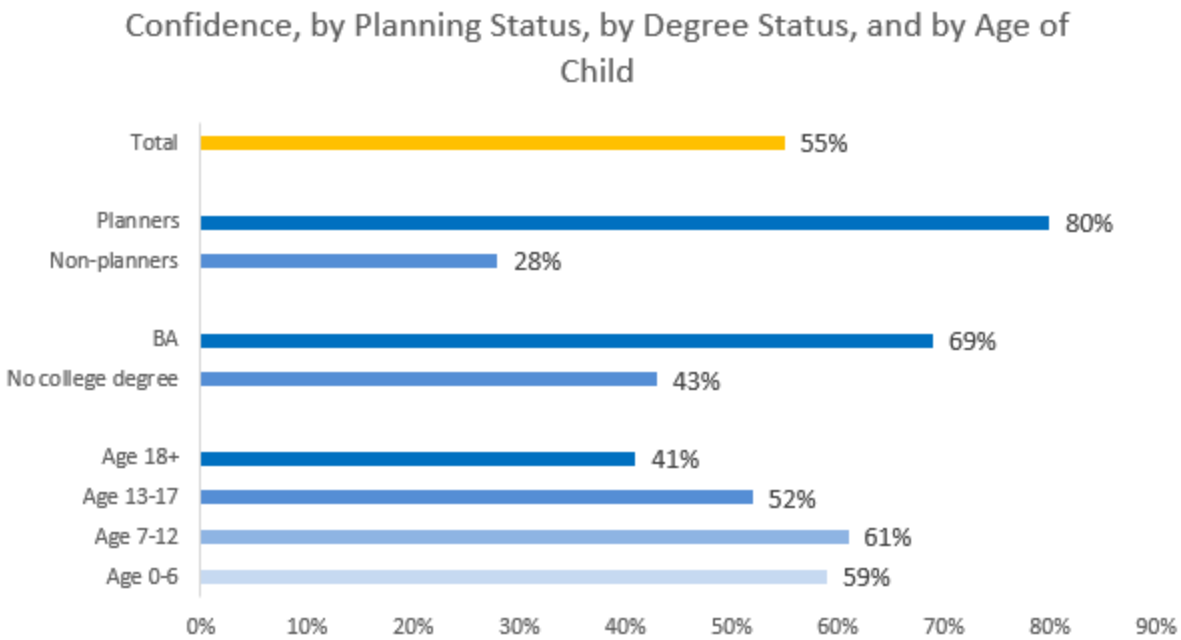
Saving for College

Parents feel more confident about preparedness





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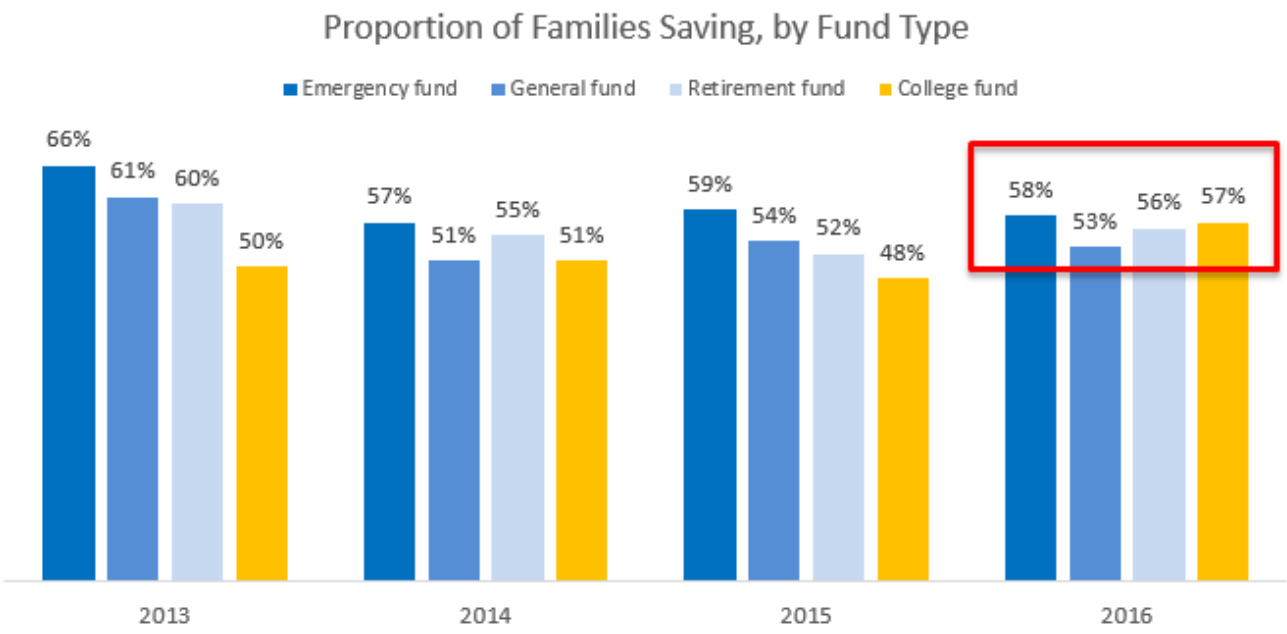
Saving for College

Saving for college becomes a higher priority



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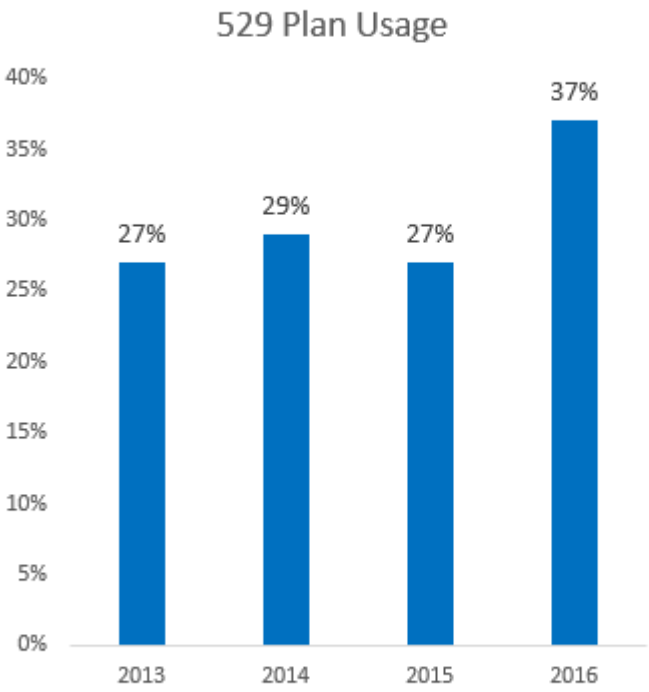
How Families Save for College

More parents are using 529 Plans



Who uses 529s?

- Planners
- High-income families
- Parents of teens

Why not use a 529?

- Lack of awareness
- Personal preference
- Not enough money

Source: Sallie Mae and Ipsos, *How America Saves for College 2016*

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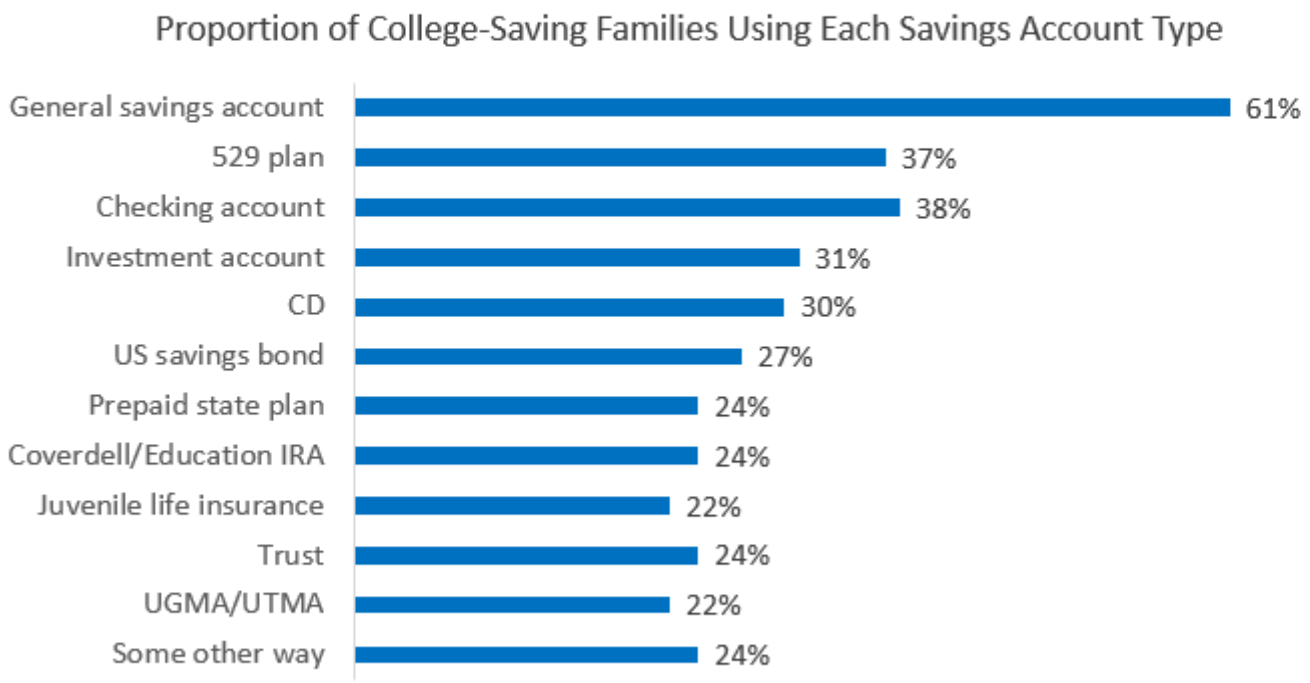
How Families Save for College

General savings remains top-used account type



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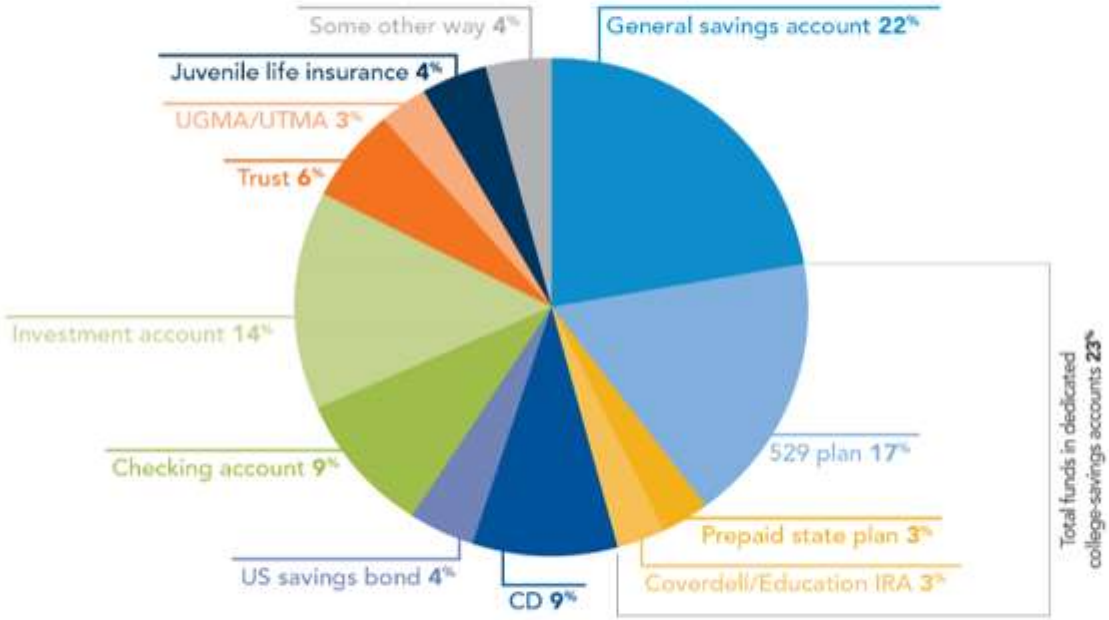
How Families Save for College

General savings accounts hold largest share

Proportion of All College-savings Dollars in Each Account Type



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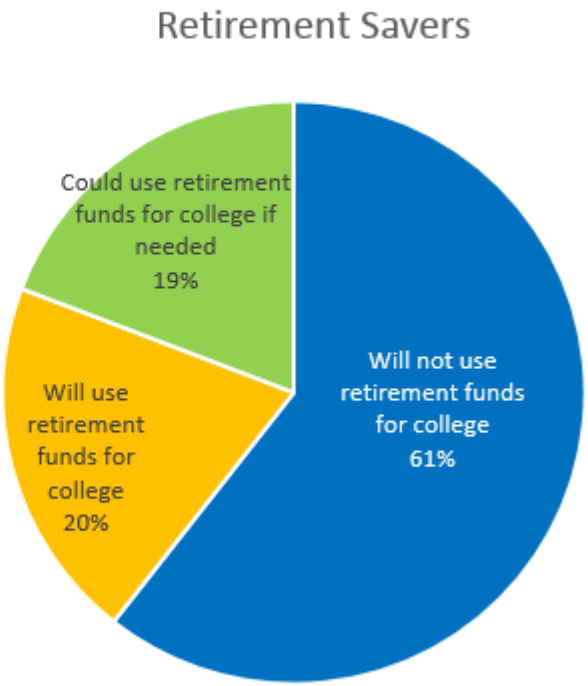
How Families Save for College

Majority won't use retirement savings for college



Source: Sallie Mae and Ipsos, *How America Saves for College 2016*

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How Families Save for College

Savings tactics used

Keeping college savings on track

- Set a savings goal (53%)
- Automatic deposit (46%)
- Setting aside a specific amount each pay period (34%)
- Committing a portion of bonus money to college fund (20%)
- Asking friends and family to contribute (6%)

Increasing the availability of funds to earmark for college

- Reduce personal spending (35%)
- Reduce household expenses (29%)
- Increase work hours (23%)
- Earn shopping rewards and transfer them to college fund (17%)

Source: Sallie Mae and Ipsos, *How America Saves for College 2016*

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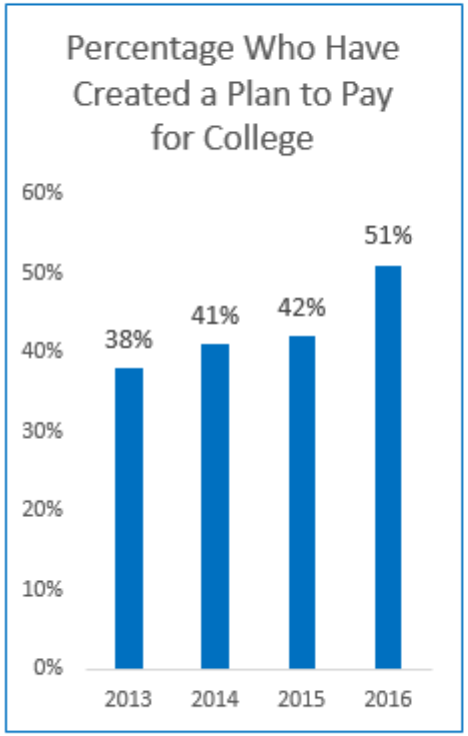
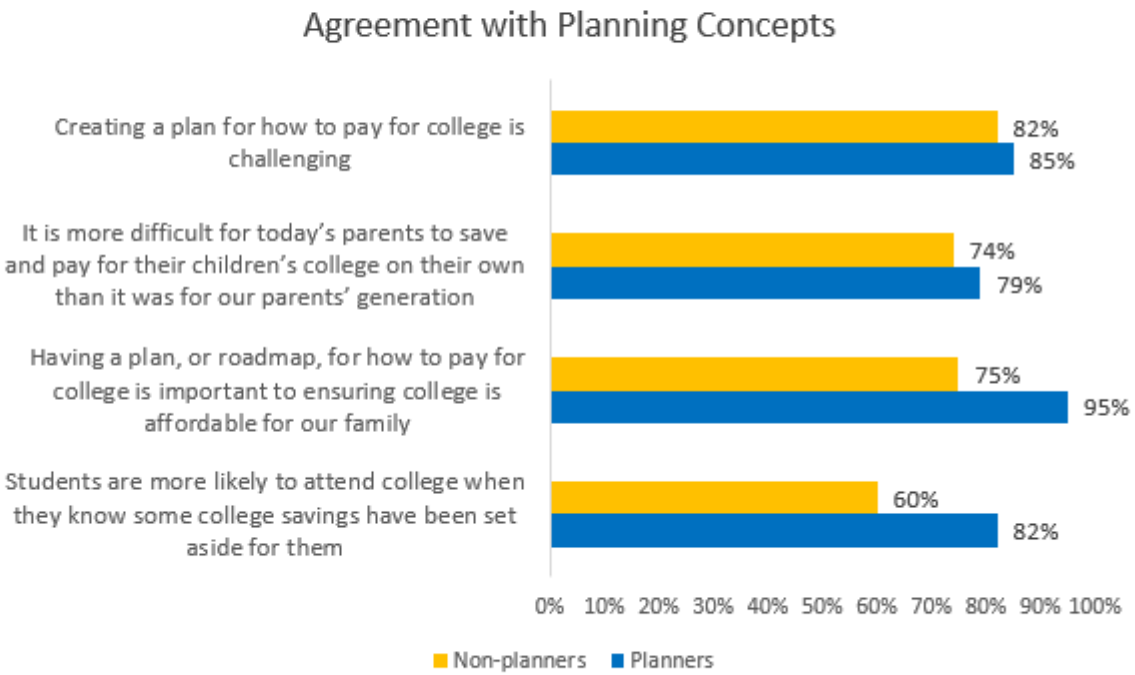
Planning

More than half of parents report having a plan





Source: Sallie Mae and Ipsos, *How America Saves for College 2016*

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Planning

Benefits of planning

Options for families	Peace-of-mind
• Spent 31% more on the college experience • Higher incidence of four-year college enrollment • Parent income and savings contributed 2-1/2 times more • Student borrowed one-third less	• More confident in paying for college decisions • Less stress related to paying college expenses • Less worried about external economic factors, e.g. loan rates rising or tuition increasing

*Source: Sallie Mae and Ipsos, *How America Pays for College 2016*

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Planning

Planning and saving actions, and resources

Five most prevalent planning-to-pay-for-college actions

- Save money (55%)
- Invest in child's talent to increase scholarship opportunities (33%)
- Research financial aid guidelines (33%)
- Research college costs (31%)
- Create a pay-for-college budget that identifies share of funding by resource type (30%)

Saving-for-college information sources used by parents

- Friends and family (37%)
- Online searches (27%), banks (27%), financial advisor (26%), or child's schools (26%)
- Public education programs (20%), content by financial experts (19%), gov't guidelines (18%)
- Mobile app (15%)
- None (15%)

Source: Sallie Mae and Ipsos, *How America Saves for College 2016*

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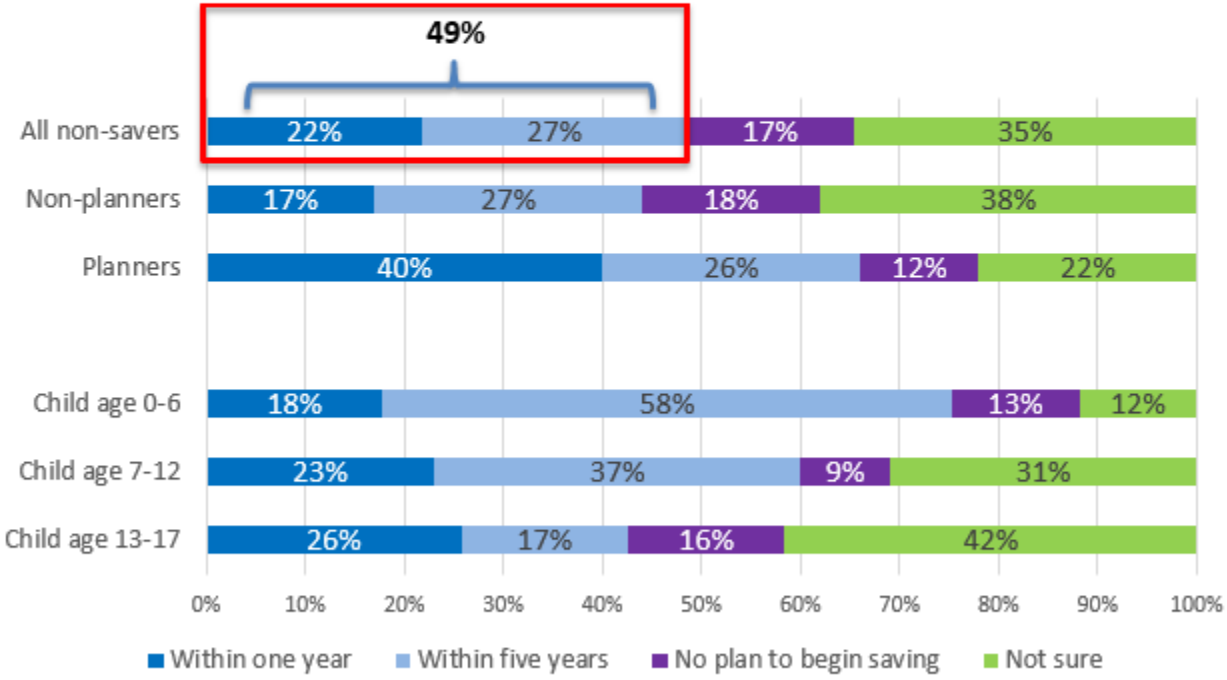
Planning

When non-savers plan to begin saving for college

- Nearly one-quarter plan to begin within one year and one-quarter within 5 years; half are not committed to saving at all



Why not saving now?

- Lack of money (59%)
- Haven't gotten around to it (20%)
- Child too young (18%)
- Other saving priorities (18%)
- Not sure of best options (16%)

Source: Sallie Mae and Ipsos, *How America Saves for College 2016*

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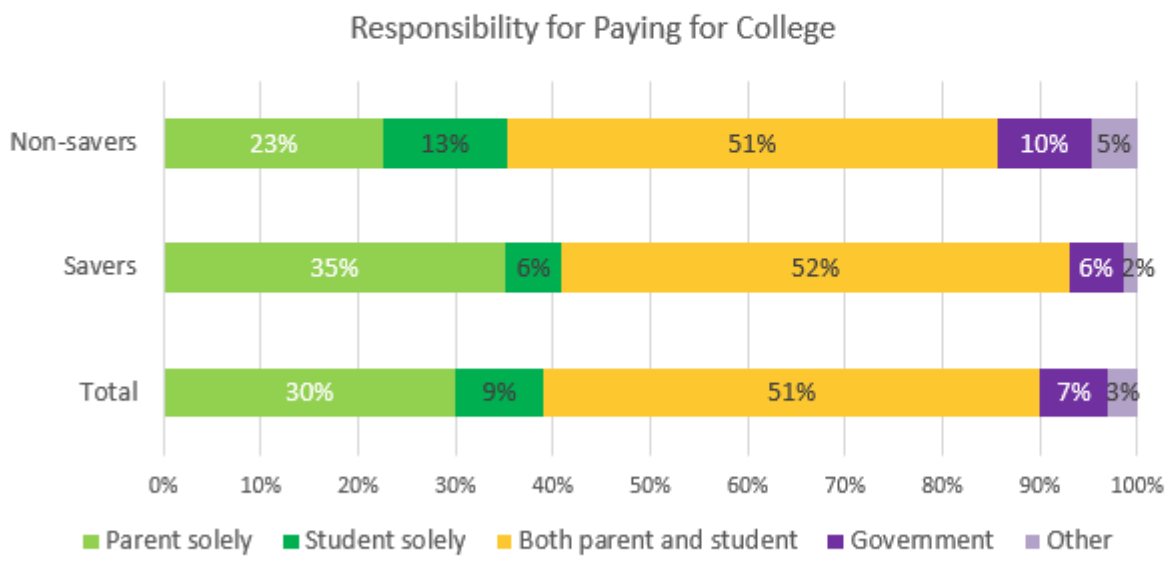
Communication Gap

Majority of parents take some payment responsibility

- And the majority also believe the student has some responsibility for paying for his/her own college education



Source: Sallie Mae and Ipsos, *How America Saves for College 2016*

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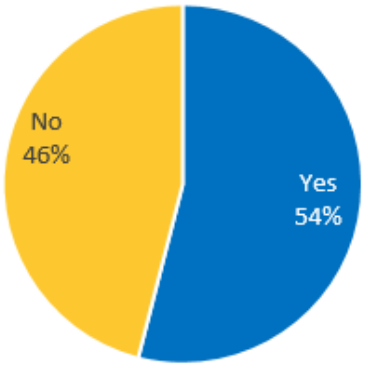
Communication Gap

Communication gap on payment expectations

In families where the child is expected to take partial or full responsibility for paying for college,

- Only half of parents (54%) have discussed their expectation with their child
- Fewer than half (46%) of students have contributed to their own college fund

Discussed Paying for College Expectation with Child?



Paying-for-college topics discussed by families

- **The importance of scholarships (63%)**
- **Working while attending college (54%)**
- **Student borrowing (48%)**
- **Sharing costs between parents and students (45%)**
- **Child's savings (34%)**
- **Additional costs, such as study abroad (28%)**
- **Parent role on student loans (24%)**

Source: Sallie Mae and Ipsos, *How America Saves for College 2016*

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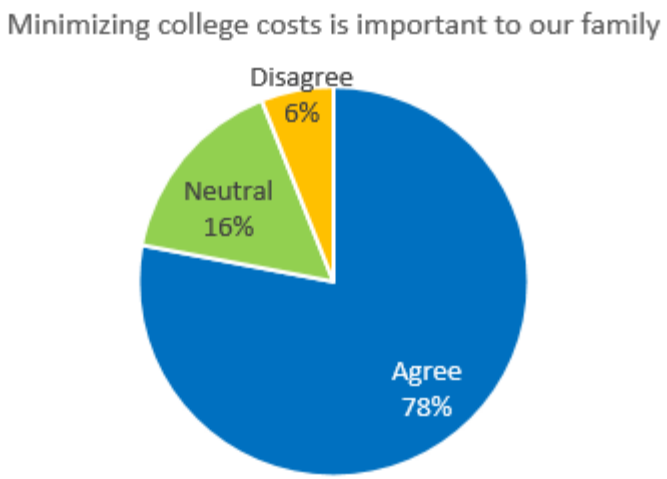
Communication Gap

Smaller gap communicating cost-saving strategies

Among the more than three-quarters who agree that minimizing costs is important to their family,

- More than two-thirds (69%) have discussed cost-saving measures with their child



Minimizing-college-costs topics discussed by families

- **Choice of school type (39%)**
- **Living at home while enrolled (30%)**
- **Major based on earnings potential (28%)**
- **The importance of graduating on time (27%)**
- **Sacrificing extras (21%)**

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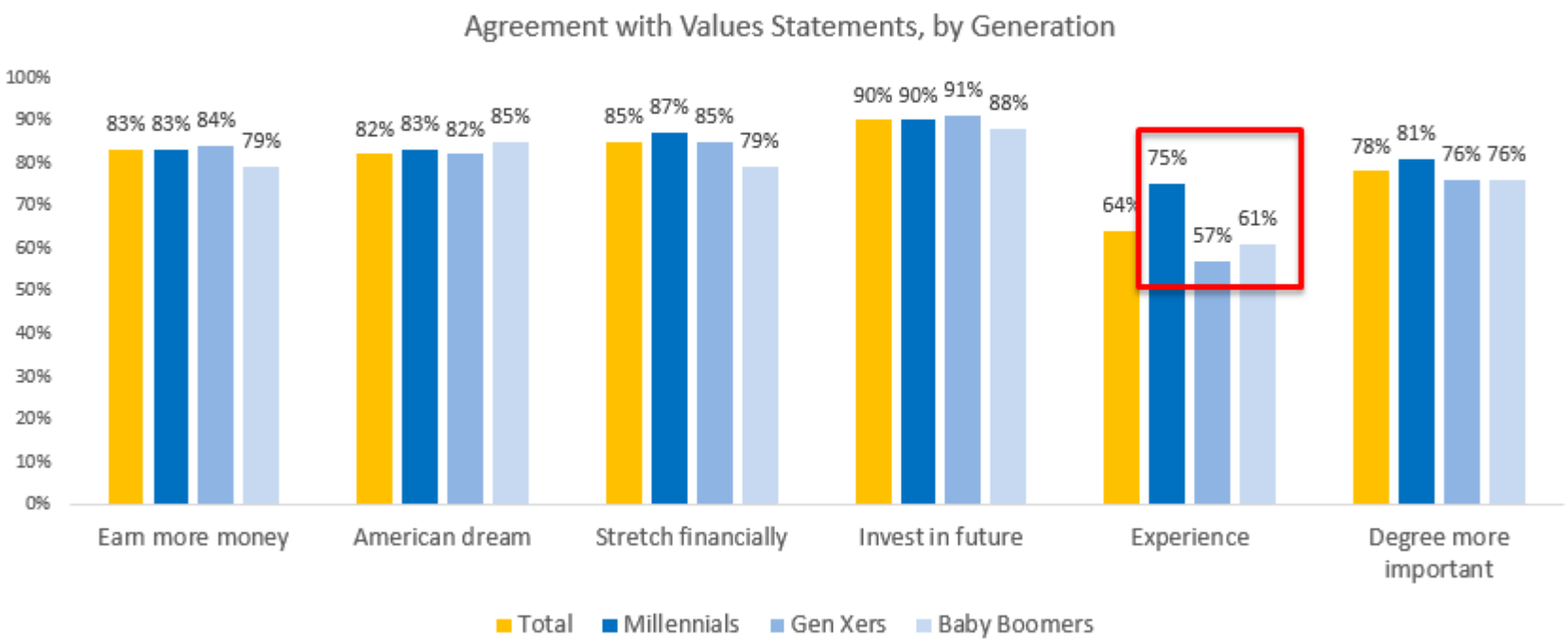
Generational Differences

Millennials more likely to value college experience



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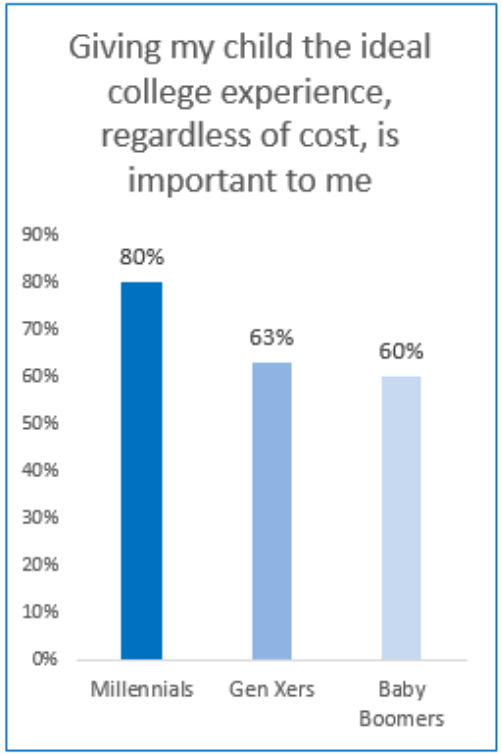
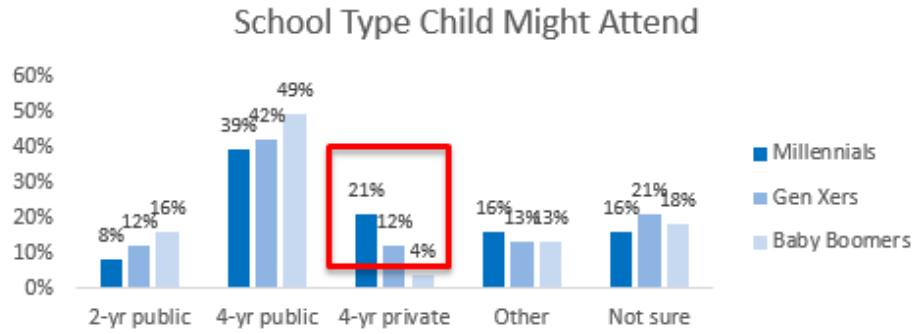
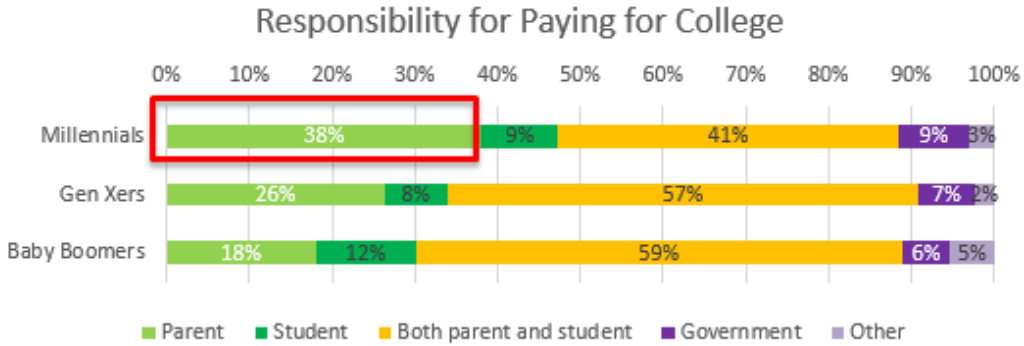
Generational Differences

… the best possible experience







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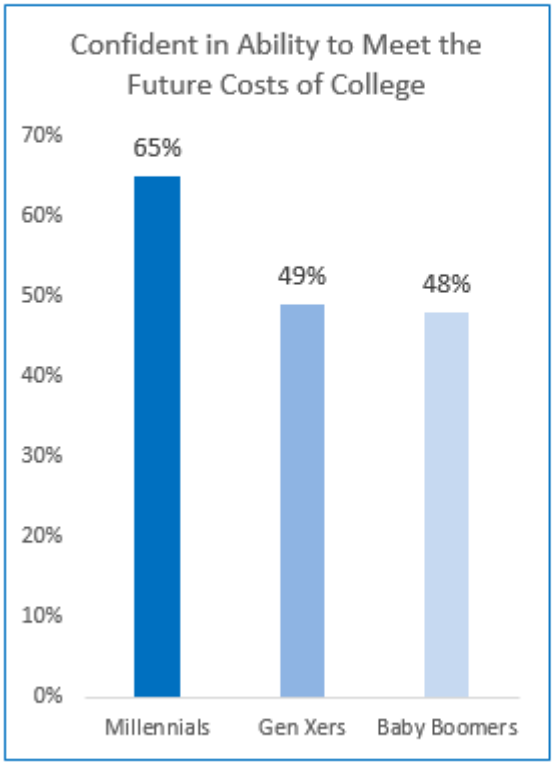
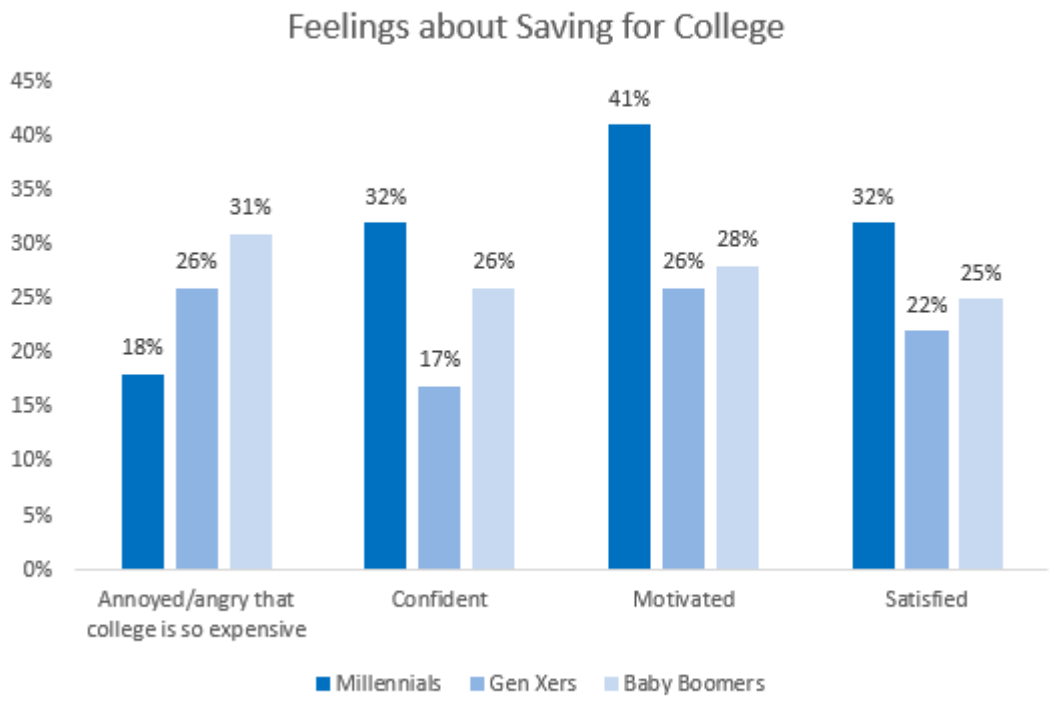
Generational Differences

Millennials feel more positive about saving





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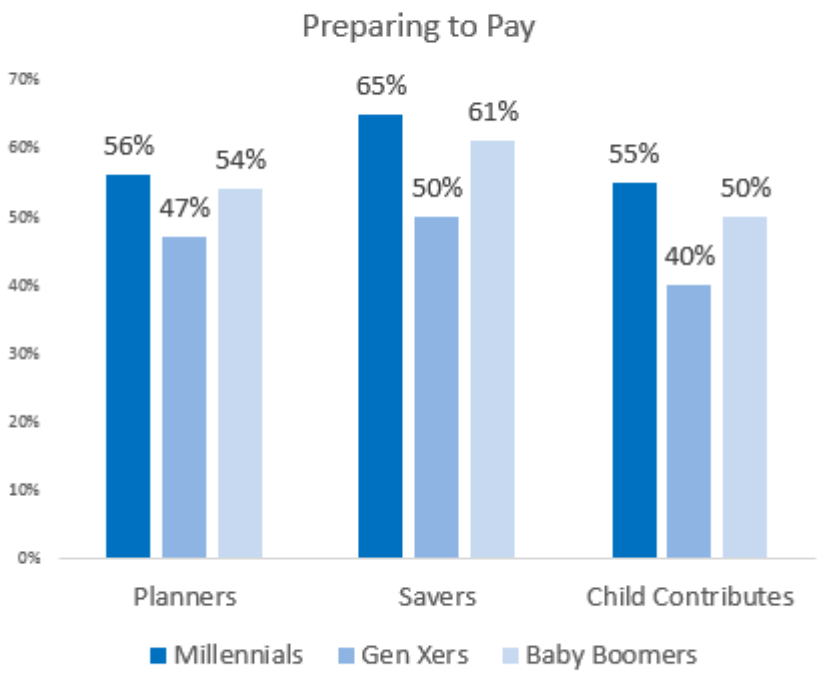
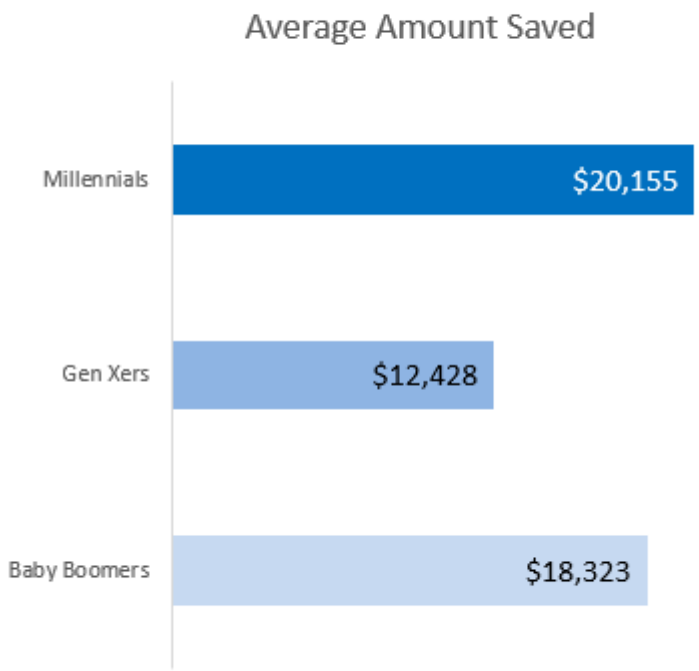
Generational Differences

Millennials share traits with Boomers





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Summary

- Families agree college is an investment in the student's future, alongside associating college with the American Dream.
- Parents feel more motivated about saving for college and more confident about preparing for costs compared to recent prior years. More are employing savings strategies such as auto-deposit, more are planning, and more are using 529 plan accounts to save.
- Millennials emerge as being distinctly optimistic about what they can do to support their child's dream of college while focusing on giving their children the 'ideal' college experience.
- Concerns: prevalence of saving in general accounts; overconfidence in how far savings will stretch; absence of candid conversations with children about financial expectations; Gen X parents' lag in preparedness

Source: Sallie Mae and Ipsos, *How America Saves for College 2016*

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Financing Education is a Retirement Issue

Mike O'Brien
Director of Advisor Products, Franklin Templeton

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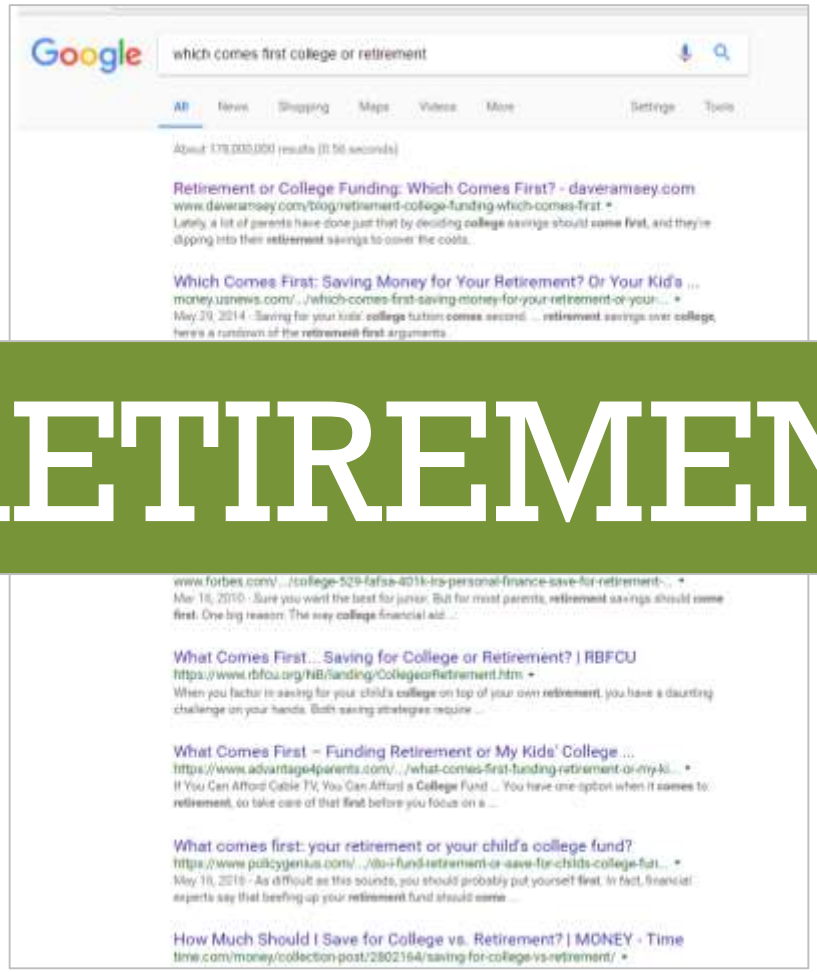
Agenda

- Family matters
- Plans to finance college
- Simple steps forward

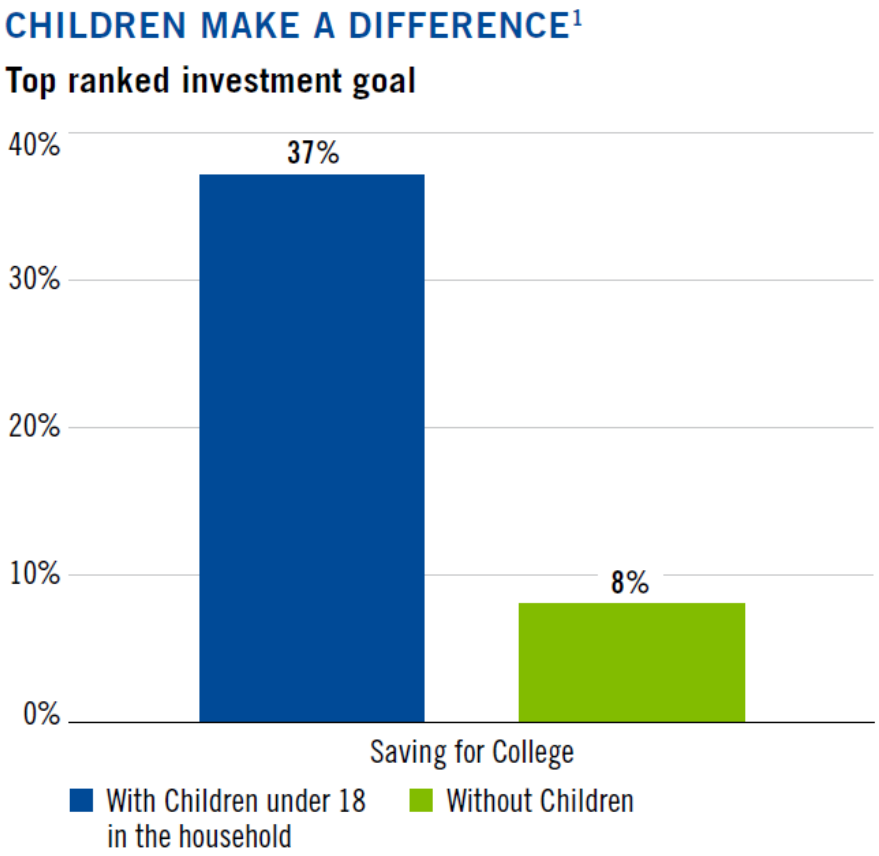
College or Retirement?



RETIREMENT

Family Matters

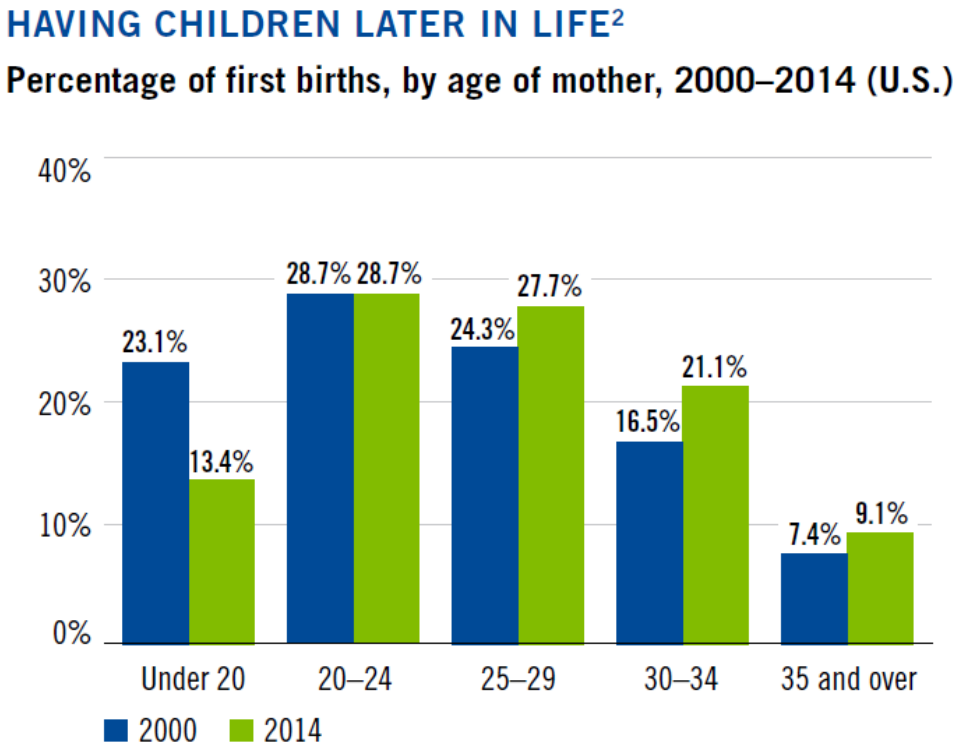
- Saving for college is more important when children are present.



1. The Franklin Templeton College Savings Trends Survey was conducted online among a sample of 1,009 adults comprising 506 men and 503 women 18 years of age and older. The survey was administered between April 30–May 3, 2015, by ORC International's Online CARAVAN, which is not affiliated with Franklin Templeton Investments. Data is weighted to gender, age, geographic region, education and race. The custom-designed weighting program assigns a weighting factor to the data based on current population statistics from the U.S. Census Bureau. Children are defined as those age 18 or younger in the household.

Family Matters

- College is a big expense at the wrong time!



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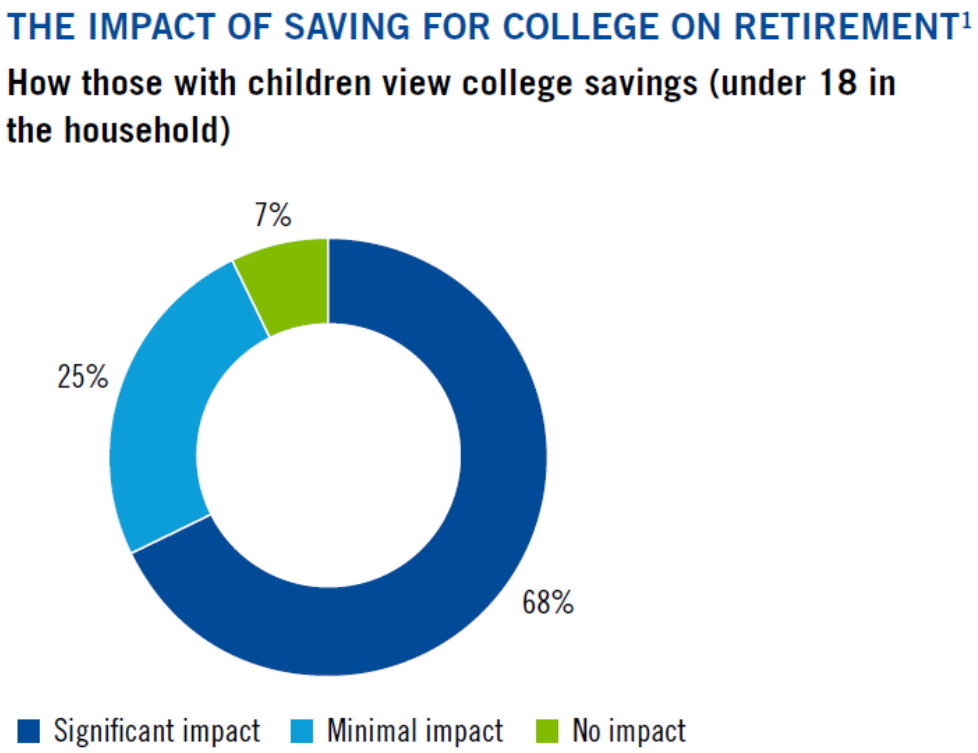
Family Matters

- What is the impact of savings for college on retirement?



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Plans to Finance College

- Problem solved! Pay now, retire later.

?

of those with children said they would **retire later** in order to finance a college education.

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Plans to Finance College

Delaying retirement works until…

Won't Delay

As retirement draws near, people are less willing to delay retirement and more **willing to reduce their retirement lifestyle.**

Can't Delay

Nearly ¼ of retirees were **unable to control when they retired** because they were forced into retirement based on circumstances beyond their control.

Source: Franklin Templeton Retirement Income Strategies and Expectations (RISE) survey. Conducted online among a sample of 2,019 adults comprising 1,011 men and 1,008 women 18 years of age or older. The survey was administered between January 4 and 18, 2016, by ORC International's Online CARAVAN®, which is not affiliated with Franklin Templeton Investments. Investors in the United States can visit www.franklintempleton.com/rise for more information.

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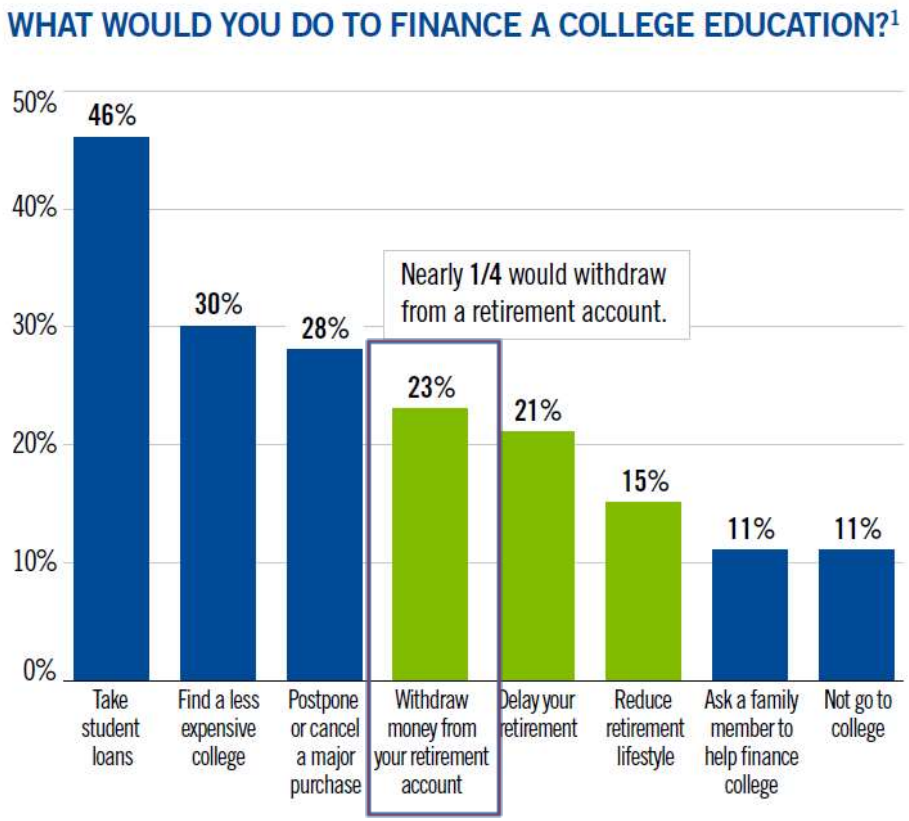
Plans to Finance College

- Delaying retirement is better than stealing



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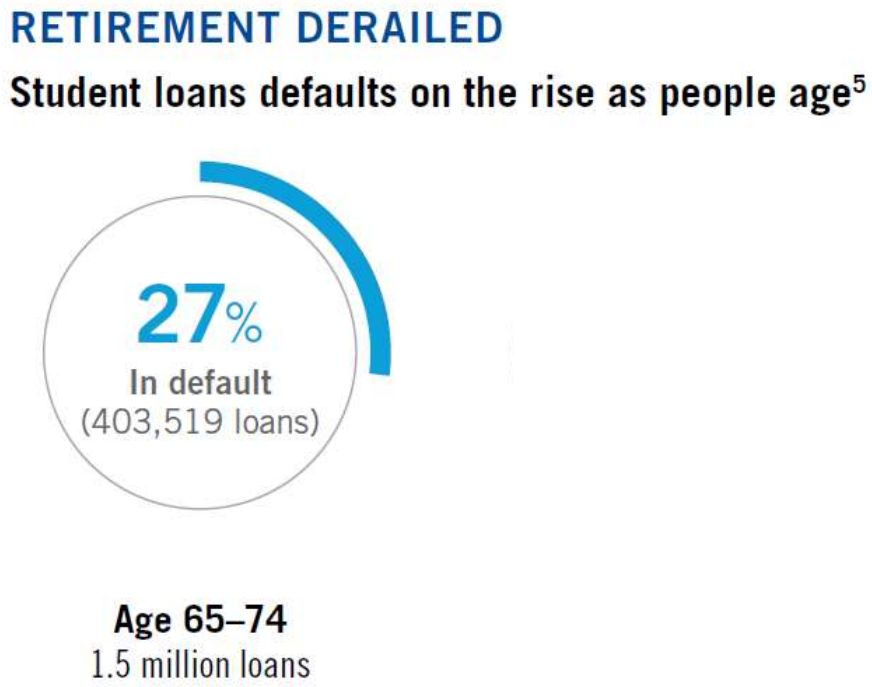
Long-Term Effect of Student Loans

- The burden of student debt lingers



5. United States Government Accountability Office, Testimony Before the Special Committee on Aging, U.S. Senate, Wednesday, September 10, 2014. http://www.gao.gov/ assets/670/665709.pdf

Simple Steps Forward

- What to Expect Before You Are Expecting
- Retirement Planning for Those with Kids: 401(k), IRA and 529
- Multiply Your Efforts
- The "$1 Solution"

1. The Franklin Templeton College Savings Trends Survey was conducted online among a sample of 1,009 adults comprising 506 men and 503 women 18 years of age and older. The survey was administered between April 30–May 3, 2015, by ORC International's Online CARAVAN, which is not affiliated with Franklin Templeton Investments. Data is weighted to gender, age, geographic region, education and race. The custom-designed weighting program assigns a weighting factor to the data based on current population statistics from the U.S. Census Bureau. Children are defined as those age 18 or younger in the household.

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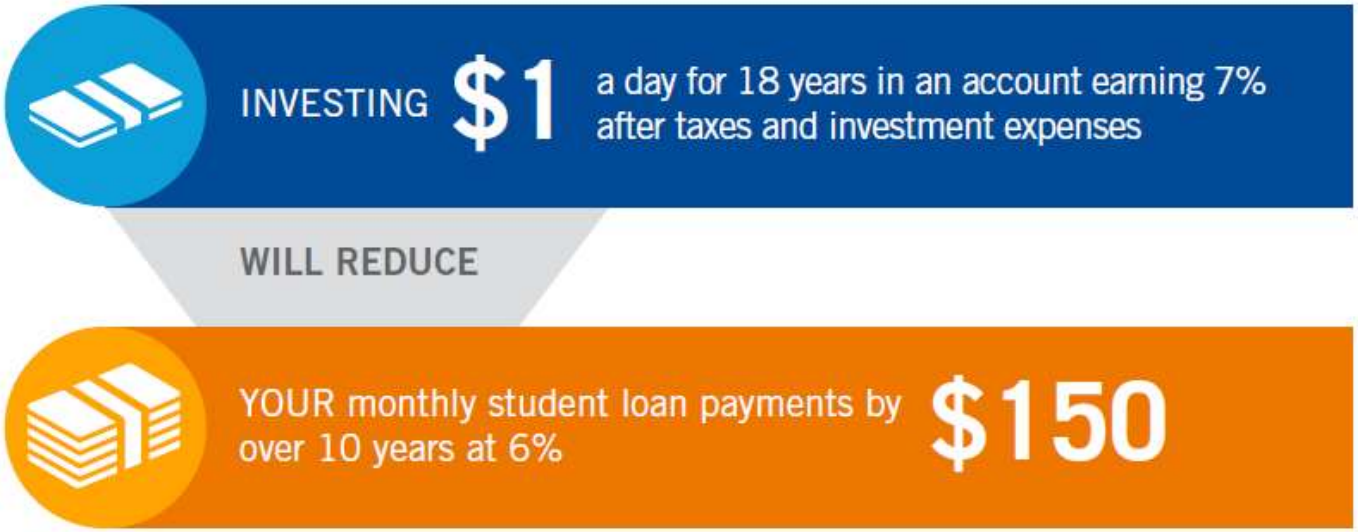
Simple Steps Forward

- The "$1 Solution"



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