

REALITY OF COLLEGE COSTS LOOMS LARGE



As high school students get ready for back to school, their parents are gearing up for the formidable task of paying for college. In its 10th Annual State of College Savings survey of parents across the country, in which the majority of respondents have at least one child aged 14-18, the College Savings Foundation (CSF) gained a window into the realistic choices that families are grappling with in the years prior to starting to pay for higher education.

The vast majority of parents (88%) are planning to help fund their children's college education. Among those who are planning to help, 32% said that savings is the *number one* way that they plan to pay for college costs. 32% of all respondents own a 529 college savings plan.

The survey found that 67% of parents were already saving; and among them, three-quarters had already saved more than \$5,000 per child.

"We are encouraged to see that parents are prioritizing savings in the years immediately prior to college," said CSF Chair Mary Morris. "At the same time, we know that most need to employ a variety of strategies to access funds and reduce college costs."

As examples of other sources of funding:

- 44% of parents plan to borrow to finance their children's college, with education loans as the dominant source (74%).
- 65% expect their children to get financial aid, with 74% in the form of grants and scholarships.

Strategies to Pay for College

A large majority, 80% of parents, expects their children to help pay for college. Of those, 57% expects them to contribute up to one-third; 27% between one-third and two-thirds, and 16% over two-thirds of the cost of college.

How do parents expect their children to contribute? Among a selection of options, most parents chose getting a job (43%) or getting Scholarships/Grants/Fellowships (29%).

"529s," as they are called, are intended to support families in meeting the relentlessly rising expenses of a college education. The average annual tuition costs of attending a 4-year public and a 4-year private college or university in 2015-2016 continued to rise beyond the rate of inflation. Including tuition, room, board and expenses, the average total cost for an in-state student at a 4-year public college is \$19,548, and for a 4-year private college is \$43,921, according to the College Board.

The CSF 2016 *State of College Savings* survey was conducted by the College Savings Foundation using Survey Monkey, with an audience from ResearchNow of 800 parents across the country.

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 policymakers, media representatives and financial services industry executives in support of education savings programs. www.collegesavingsfoundation.org

CSF's 2016 *Youth Survey* of high school students across the country showed that high school students are on the same page. They are planning to help fund their higher education with 60% of them saving for college, 56% expecting to get financial aid; 71% of them planning on taking loans, and 85% anticipating receiving a scholarship. 63% intend to work in college.

When asked about plans to reduce the cost of college, the most important way that parents plan to reduce college costs is for their child to attend community college for two years and then transfer to a four-year school (25%), followed closely by attending a state school rather than a private school (23%).

"We see both parents of high school students and their children working together to tackle the high cost of college," Morris said.

College Debt Hovers Over Parents and Their Children

At the same time, parents are concerned about the prospect of college debt for their children. One-quarter of them are still paying off their own debt, making most of them consider other funding approaches for their children.

The concern about debt affects their children's decision-making process. 28% of parents said their children had considered not going to college at all; and the leading reason (31%) was that their child did not want student debt.

This underscores the findings of CSF's *Youth Survey*, showing that 37% of high school students had already changed their higher education choices because of costs. Further, 33% of them were changing their higher education choices for other reasons such as joining the family business, joining the military, because their career choice doesn't require college or because they believe college doesn't provide the critical skills they need for employment.

Savings Knowledge and 529s Equal Power over College Costs

As children get older and near college age, parents are more likely to know how much they need to save for college. 47% said they know how much they will need to save to fund their children's college education. They appeared to be proactive in determining that amount, with the top two most popular ways to do so being contacting the specific colleges they have in mind (29%), and using a college savings calculator (26%).

With college right around the corner, 63% of parents were somewhat confident (31%), very confident (19%) or completely confident (13%), that they could reach their college savings goals.

One key strategy that helps is the use of 529 college savings plans. Among the parents who own a 529 college savings plan, 96% are saving already, and 89% had saved more than \$5,000 per child.

What Parents Want from the Government

Finally, when asked what parents would like to see the new President and Congress do regarding 529 college savings plans, they answered the following, ranked in order of preference:

- All people are able to save in 529 plans regardless of income (40% ranked as number one)
- Provide incentives for employers to help employees save in 529s (29% ranked as number one)
- Unused funds saved in 529s should be eligible for rollover into IRAs (20%)
- Allow 529 contributions to be eligible for the current Saver's Credit (13%)

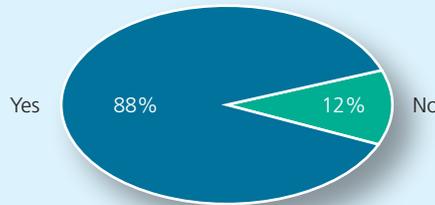
"We see both parents of high school students and their children working together to tackle the high cost of college."

—MARY MORRIS
Chair, College Savings Foundation

SAVINGS IS KEY STRATEGY FOR FUNDING COLLEGE

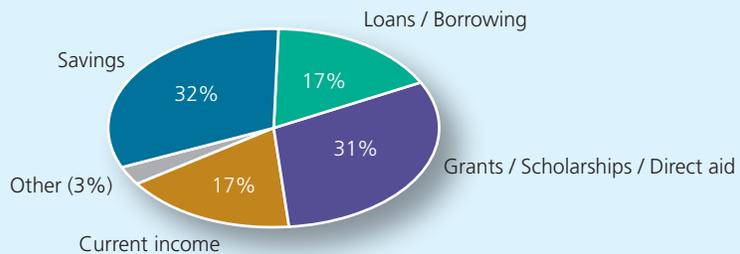
The vast majority – 88% of parents – will help fund their children’s college.

Q.
Are you planning to help fund your child’s/ children’s college education?



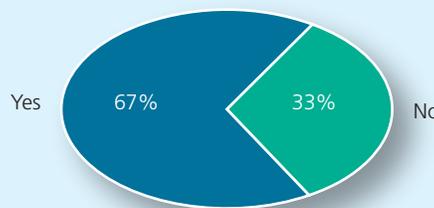
Of those who will help, savings is the Number One strategy.

Q.
What is the primary way that you plan to pay for your child’s/ children’s college costs?



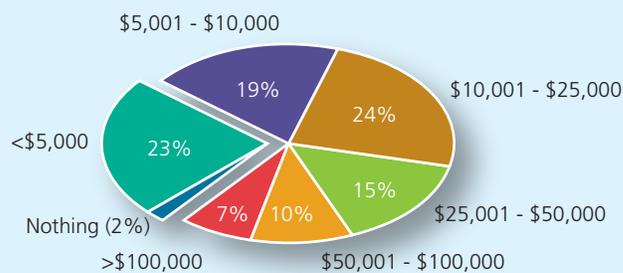
67% of all parents are saving for college.

Q.
Are you saving for your child’s/ children’s college costs?



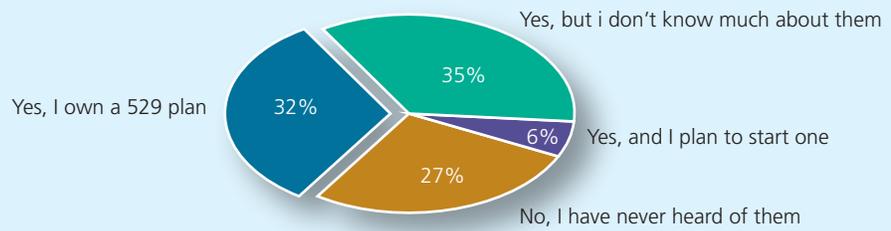
Of those, 75% had already saved more than \$5,000 per child.

Q.
How much have you saved for your children’s college education (per child)?



How are they saving? Of all parents, 32% own a 529 college savings plan.

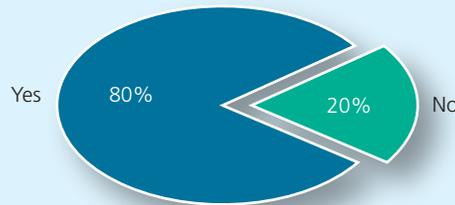
Q.
Do you know what a 529 college savings plan is?



HOW CHILDREN WILL HELP FUND COLLEGE

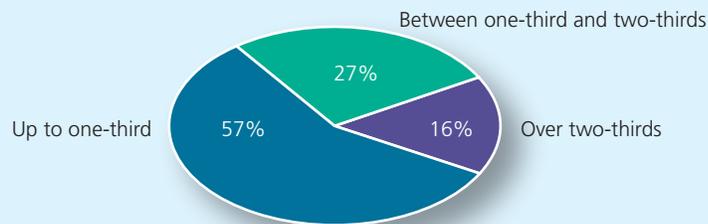
80% of parents expect their children to help pay for college.

Q.
Will your child contribute to paying for college?



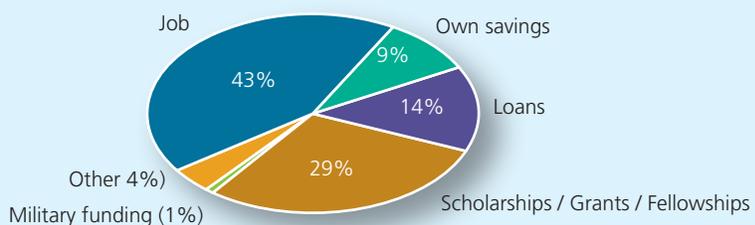
How much do they expect the children to kick in?

Q.
How much will your child contribute to paying for college?



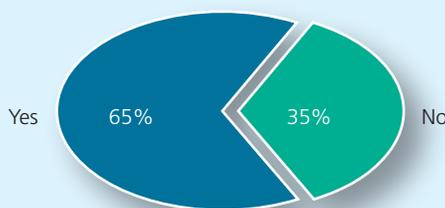
How will children help pay for college? Get a Job or a Scholarship.

Q.
How will they contribute to college costs?

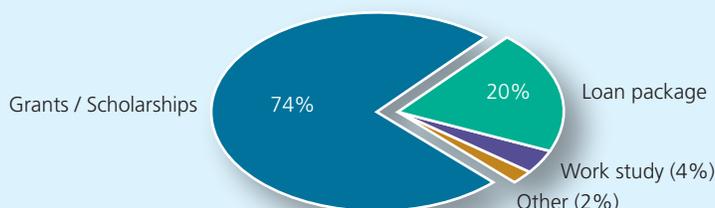


65% expect their child to get financial aid, with 74% of them anticipating it in the form of Grants or Scholarships.

Q.
Do you anticipate receiving financial aid for your child's education?

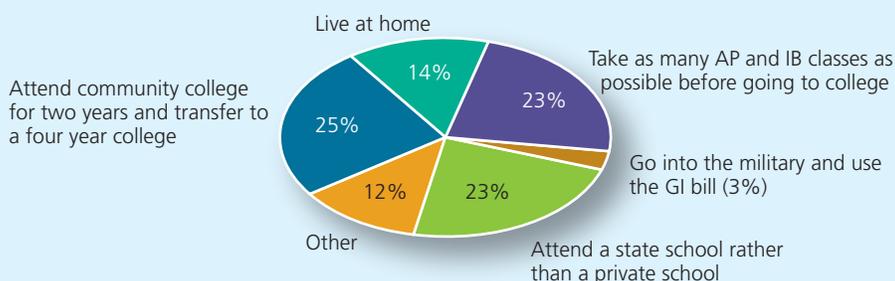


Q.
What is the primary form that you expect the financial aid to take?



Other strategies to help cut college costs: attend community college or a state school.

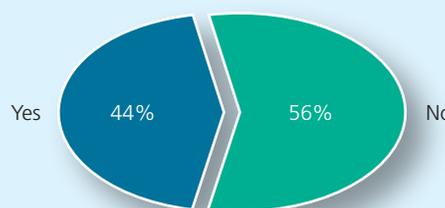
Q.
What is the most important strategy your family uses to help reduce the cost of college?



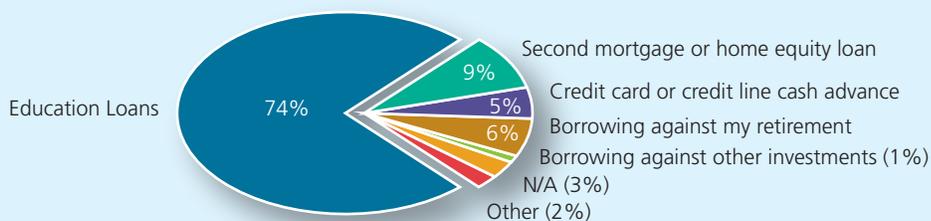
THE CONCERN ABOUT DEBT STALKS FAMILIES

44% of parents plan to borrow to finance their child's college, with loans as the dominant source (74%).

Q.
Do you plan to borrow to finance your child's college?

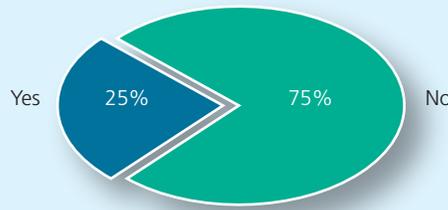


Q.
If you are borrowing, what do you anticipate will be your number one college financing source?

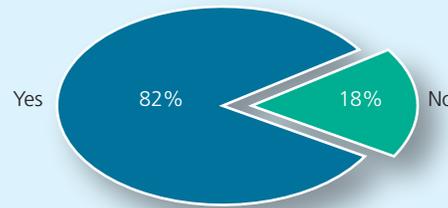


25% of parents are paying off their own student debt, causing them to look to other funding sources.

Q.
Are you currently paying off student loan debt?

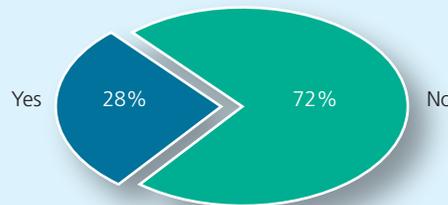


Q.
Has your college debt made you consider other funding approaches for your children?



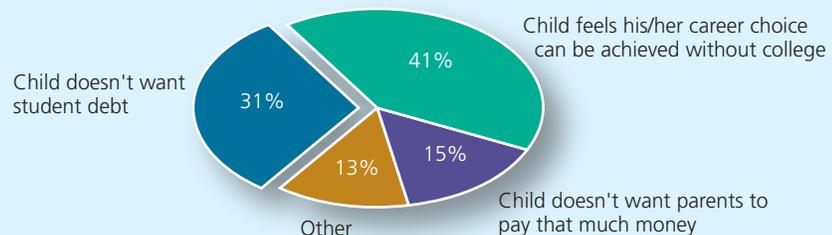
28% of parents had kids who considered not going to college.

Q.
Has your child ever considered not going to college?



The concern about debt leads some children to consider not going to college at all. Of the parents who said yes to the above question, 31% said their children didn't want debt.

Q.
Why did your child consider not going to college?

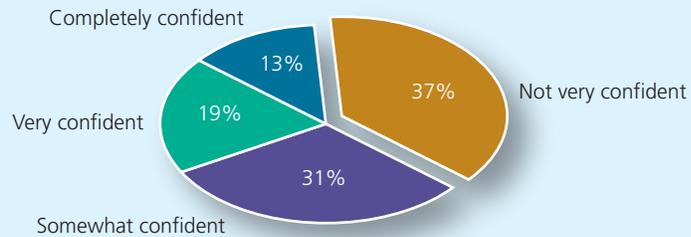


PARENTS ARE KNOWLEDGEABLE ABOUT COLLEGE SAVINGS AND COSTS

63% of parents are confident they will reach college savings goals.

Q.

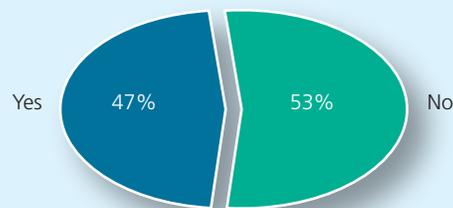
How confident are you that you will reach your college savings goals?



47% know how much to save for their children's college.

Q.

Do you know how much you'll need to save to fund college for your children?



They learned by asking colleges and using college calculators.

Q.

How did you determine the amount?

