

Annual College Savings Survey 2017

Executive Summary

This is the fourth Annual College Savings Survey conducted by Savingforcollege.com of readers of the website. Overall, there are a number of bright spots in this year's results, with findings that suggest that families who are interested in saving for college are starting sooner and are more well-informed about their options and the benefits of 529 plans.

It is important to note that these survey results are not reflective of American families overall, but rather of the typical user of the Savingforcollege.com website who is likely more affluent and aware of college savings options than the typical American household. Nonetheless, even among this demographic, we see promising trends in college savings preparation and awareness.

Respondent profile

Respondents consisted of parents and grandparents interested in college savings:

- 82% are parents vs. 18% grandparents
- 71% are between the ages of 25 and 54
- 66% have household incomes of \$100,000 and above
- 62% are saving for a child age 10 or younger

Parent have high hopes

60% of parents hope to cover at least 75% of their child's college costs. Yet, they are realistic at the same time. Only 40% say they are confident they would be able to pay for their child's preferred university, 59% plan to save for a public education, 92% expect to apply for scholarships, and 59% are willing to select more affordable schools.

Families are serious about saving for college

68% of respondents have already started saving, six percentage points higher than last year's survey, and 82% of the savers are using a 529 plan (compared to 77% last year). Among those with a 529 plan, the most important criteria in choosing their plan was:

- It was the plan offered by their state of residence
- The plan offered low administrative fees
- The plan offered the best tax benefits for the account holder

37% of survey respondents said they are contributing at least \$250 per month to their accounts.

Consumer know-how of 529 plan rules improving

Misperceptions about 529 plans seem to be declining. This was the second straight year that knowledge about 529 plan rules improved on all rules but one. This may be an indicator that after 20+ years, 529 plans have become a more mainstream investment product, at least among more affluent parents.

Among respondents who hadn't yet started saving for college, 63% are planning to open a 529 plan, and 33% are still unsure. However, 73% of those intending to open a 529 indicated they don't know the steps involved in opening one, and 39% don't know which investment option they would choose. These areas present an opportunity for the 529 plan industry to provide enhanced education and guidance.

About the Survey

The results of the 2017 Annual College Savings Survey provide insights into the college savings behaviors of parents and grandparents in the United States. As in previous years, the 2017 survey focuses on how families are selecting and using 529 plans, and their beliefs about these plans.

This year's survey was administered online to visitors to the Savingforcollege.com website from June through July 2017. A total of 852 parents and grandparents participated in the survey.

Visitors to Savingforcollege.com come to our website to learn about college savings and 529 plans, and therefore are not representative of families in general. However, they are highly representative of those families that are interested in planning and financially preparing for the costs of college.

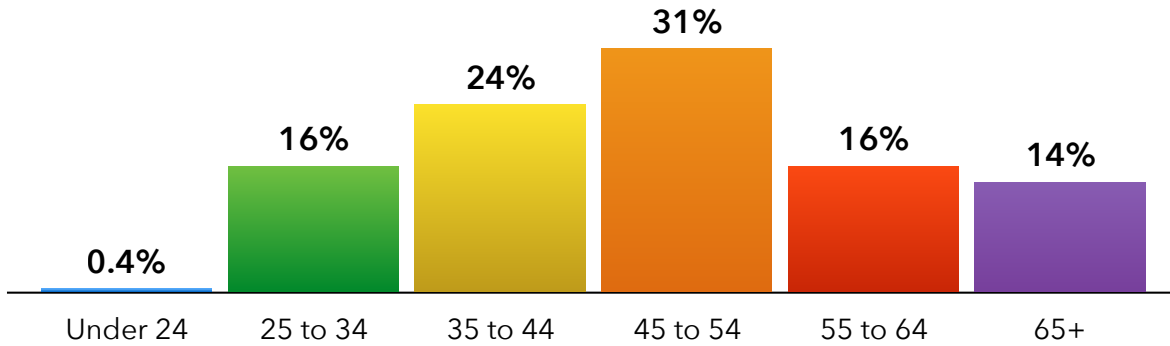
Savingforcollege.com is committed to helping families prepare to meet the rising costs of higher education by providing objective information and tools for planning and saving. We are proud to share our survey findings in the hopes of creating a greater understanding of the needs of families who want to save for college.

About Savingforcollege.com:

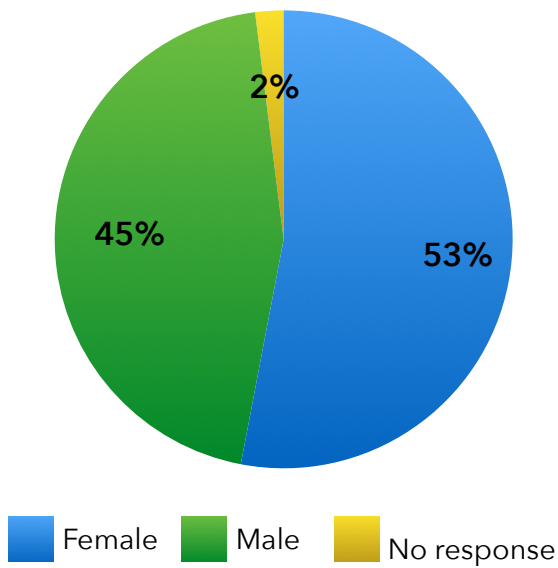
Savingforcollege.com has been a leading independent authority on 529 college savings plans since 1999. The site compiles and analyzes data, and creates content and tools to provide parents, financial professionals and state agencies with resources to help them understand how to meet the challenge of increasing higher education costs

Respondent demographics

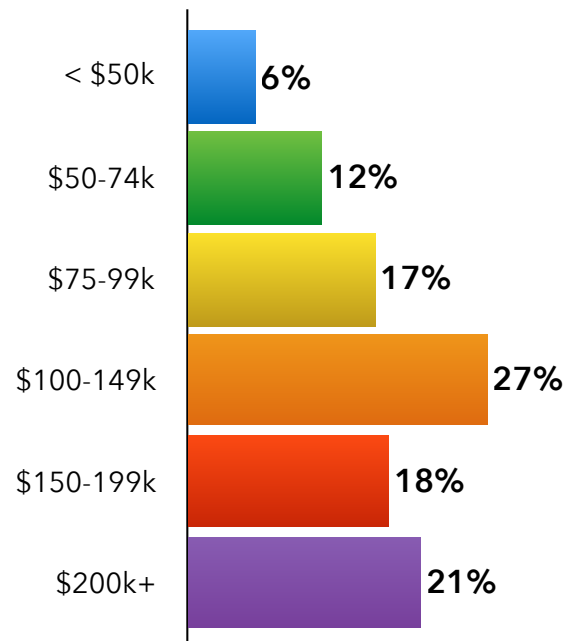
Respondent Age



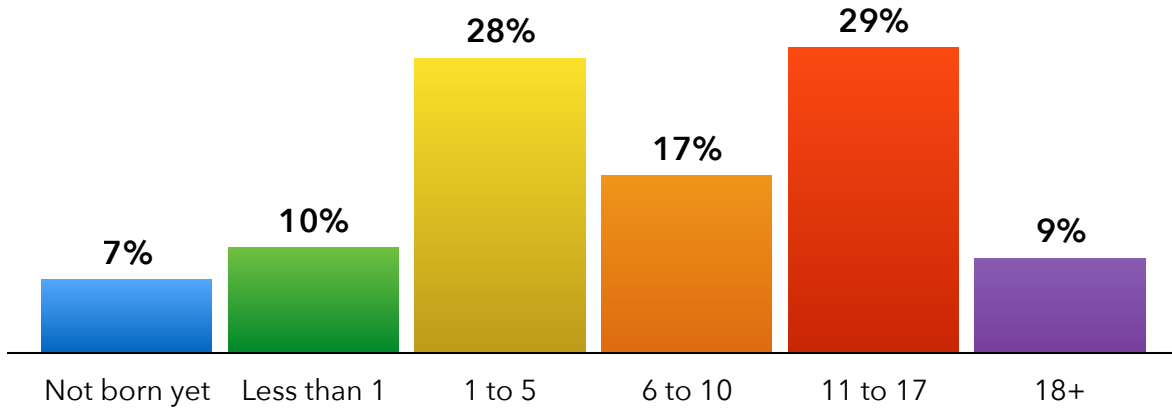
Gender



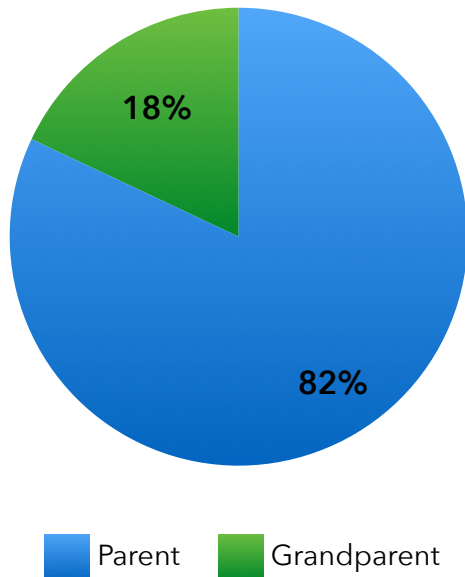
Household Income



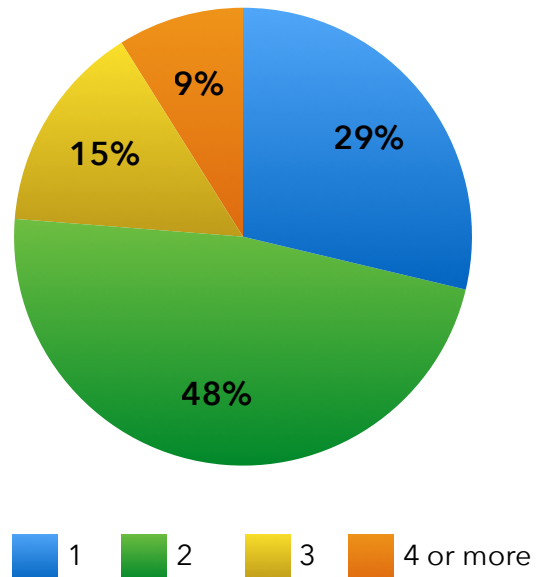
Age of Youngest Child for Whom Respondent is Saving



Respondent Profile



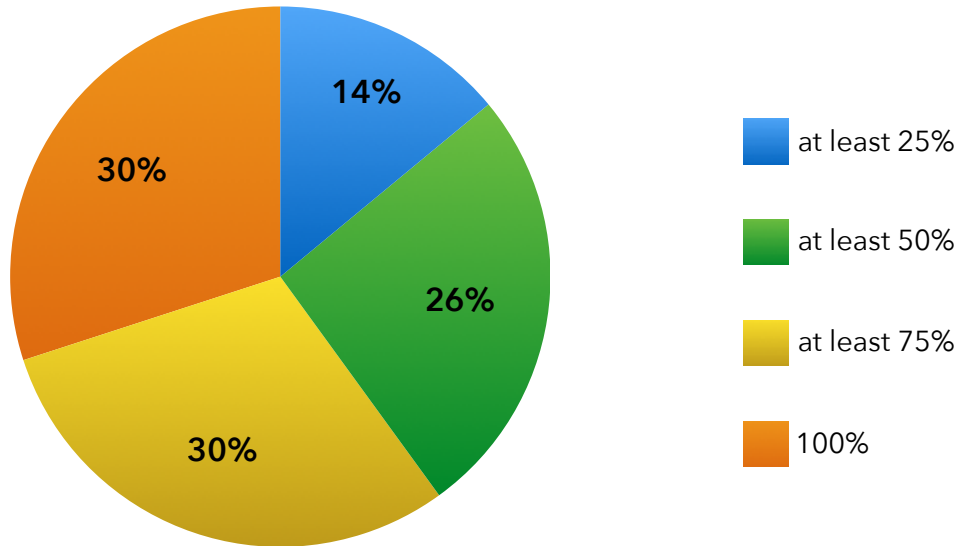
Number of Children Saving For



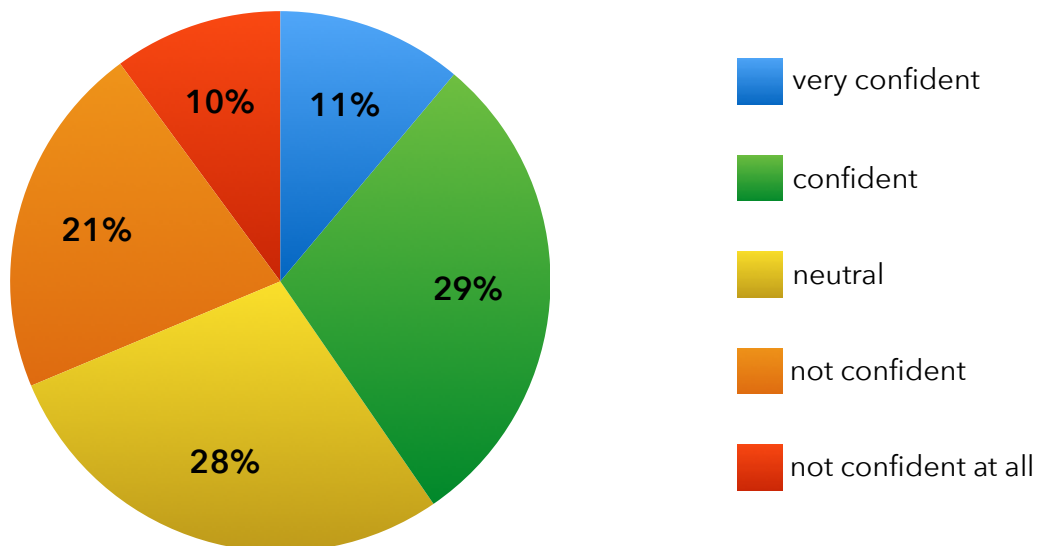
Overview: Parent's aspirations and expectations*

As in previous years, parents have high aspirations, with 60% hoping to cover at least 75% of their child's college costs. Yet 31% are not confident they'll be able to cover the costs of their child's preferred school, even with financial aid and scholarships, when the time comes.

What percent of your child/ren's college costs do you hope to cover from your own savings and income?

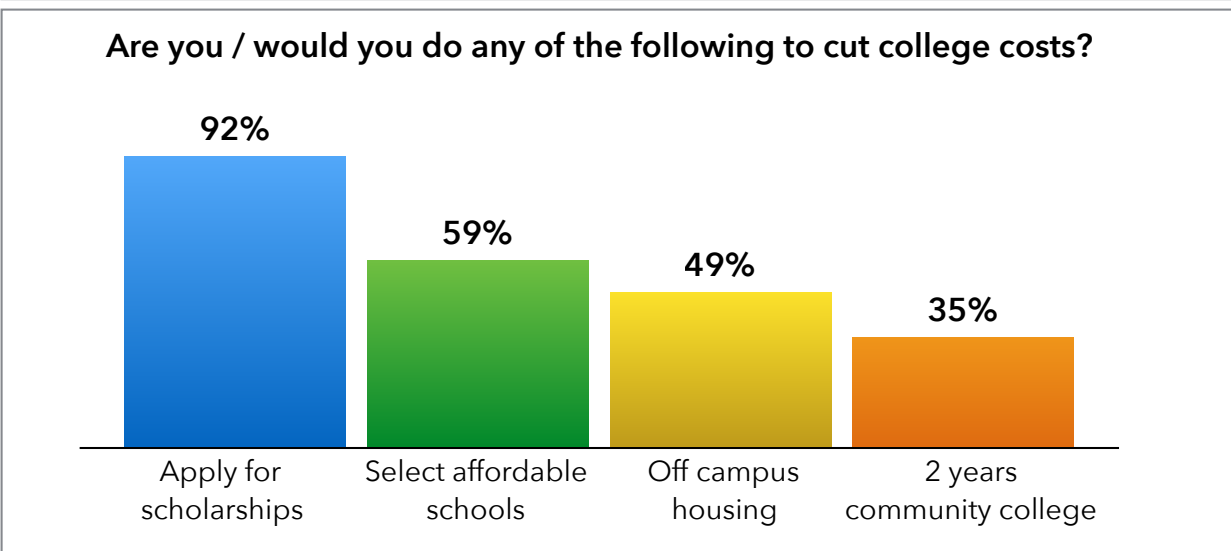
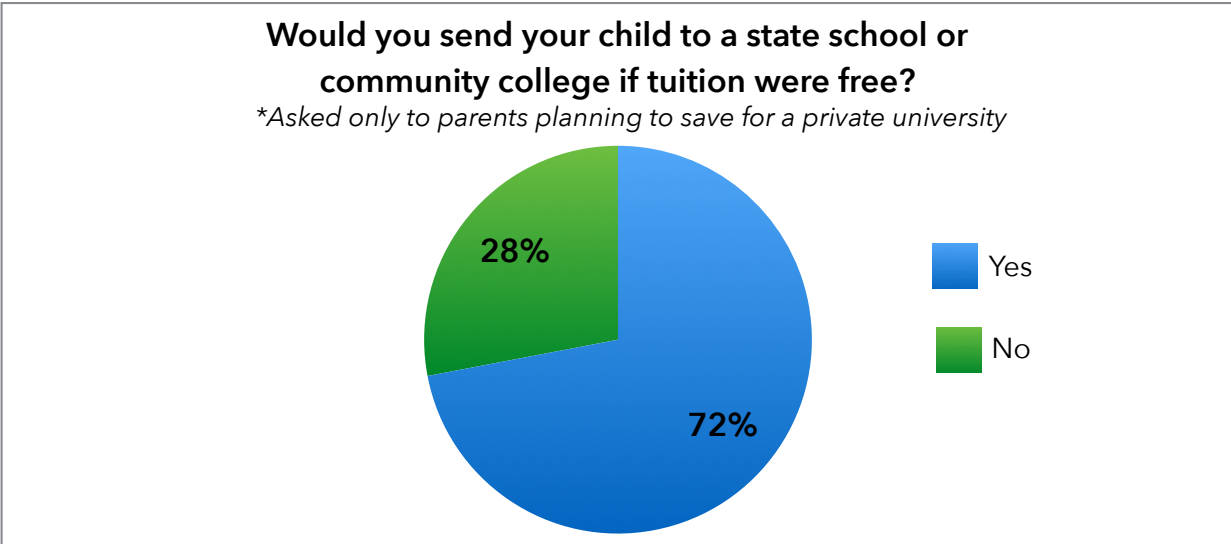
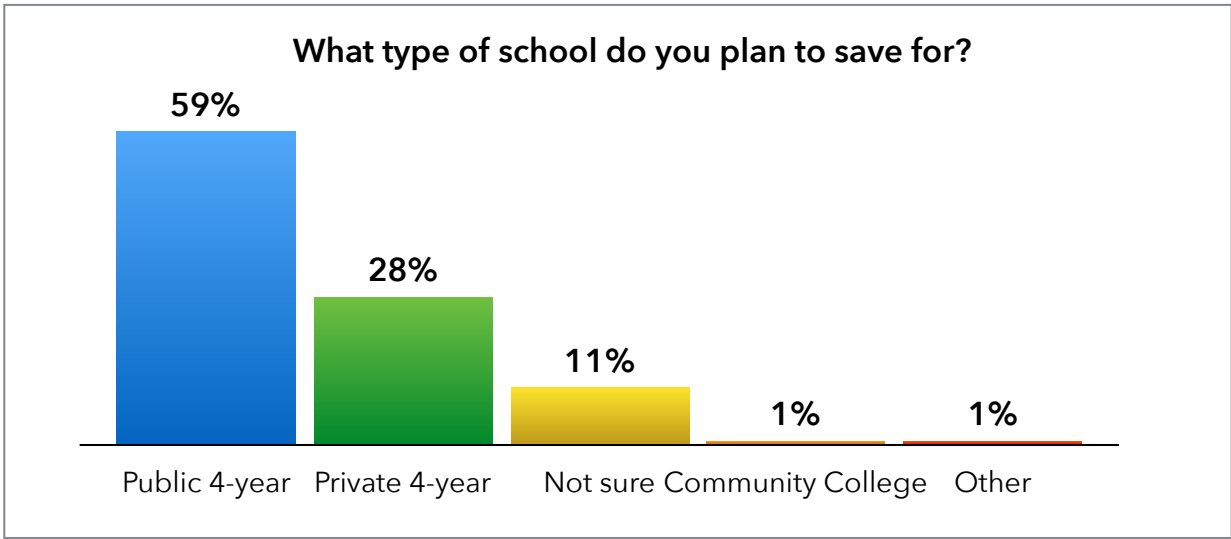


Considering your own income and savings, financial aid, scholarships and other sources, are you confident you would be able to cover the costs of your child's preferred college or university?



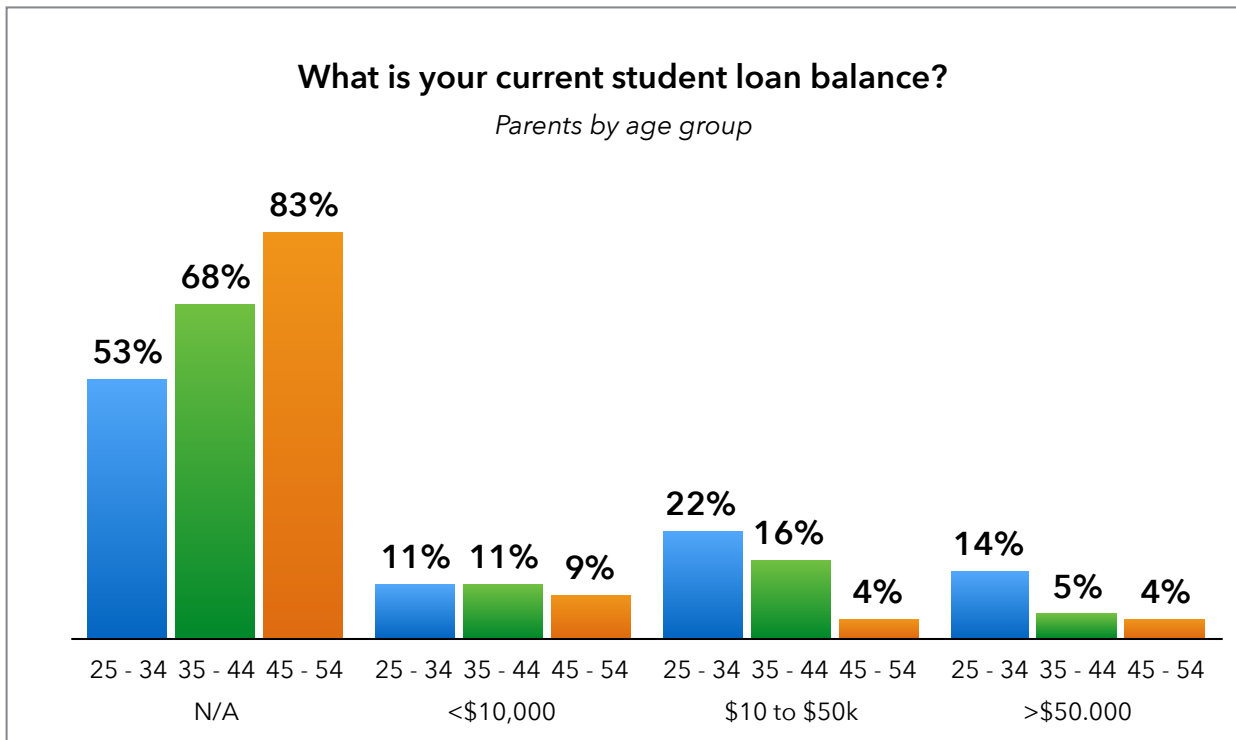
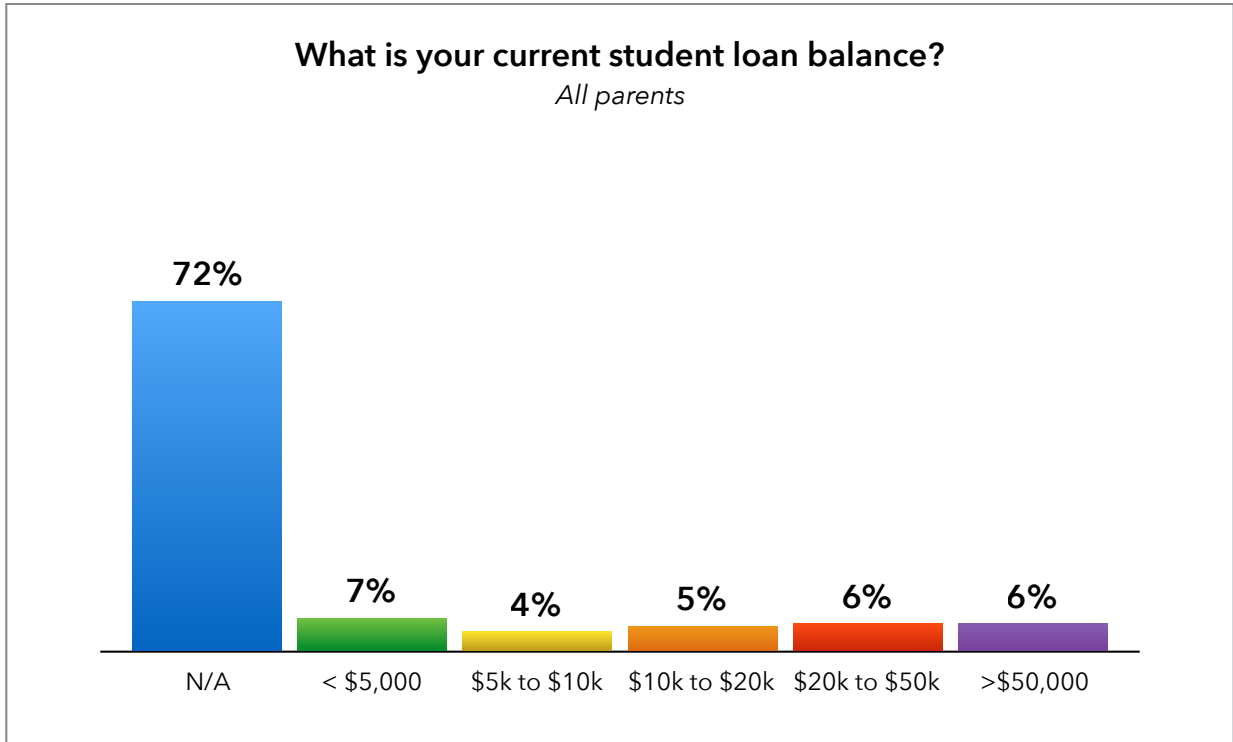
* Note - questions on pages 5, 6 and 7 were only answered by Parents saving for their own children

Parents are generally cost-conscious, with 59% planning to save for a public university education. Of those planning to save for a private university, 72% were willing to consider public education if tuition were free. Parents also expect to actively seek ways to cut their college costs through scholarships and school choices.



Parents saving for college also carry student loan balances

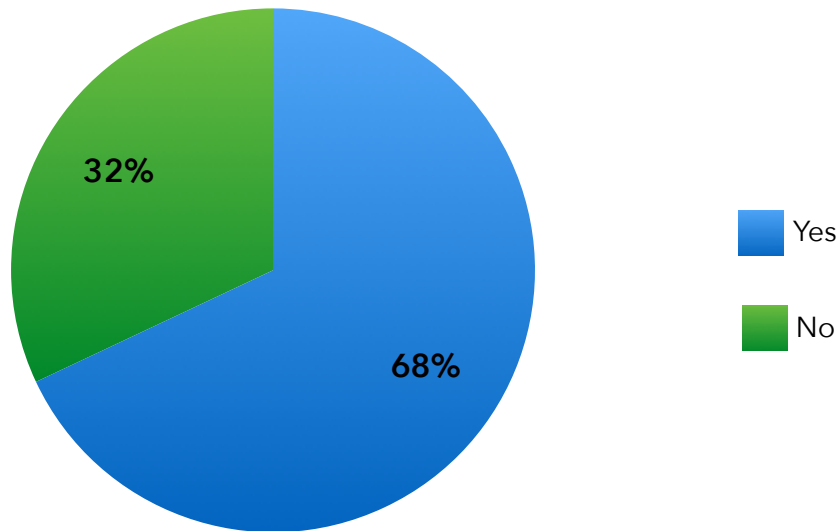
Student loan payments can eat into parents' disposable income and hinder their ability to save for college. Overall, 72% of parents in the survey told us they do not carry a student loan balance. However, younger parents are much more likely to be paying off their student debt, with 36% of 25 to 34 year old parents carrying \$10,000 or more in loans.



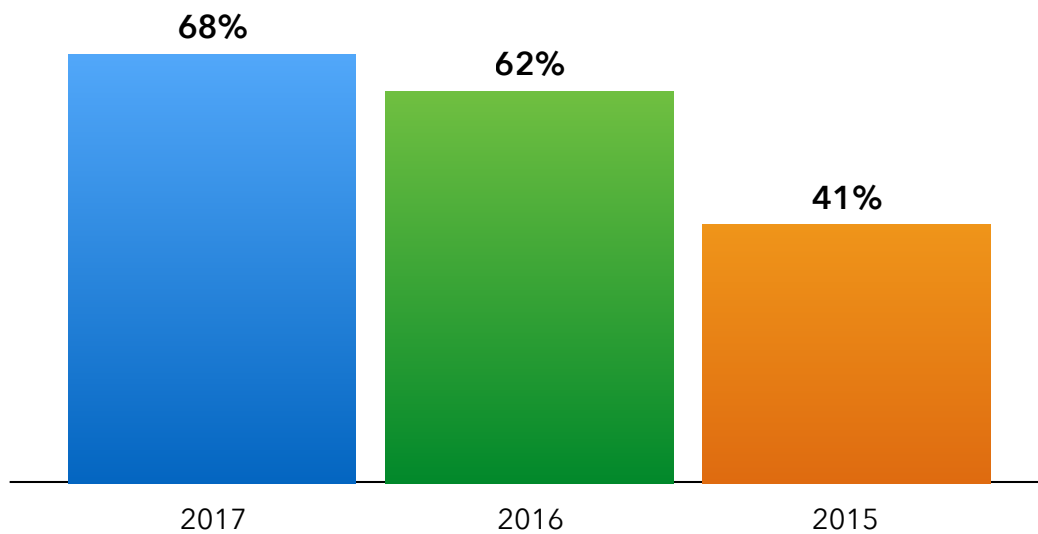
Families are serious about saving for college

This year's Survey finds an increasing number of parents and grandparents saying that they have started saving for college. In addition to what they can save on their own, parents signal a willingness to ask others to chip in and help. Finally, more respondents than ever before are telling us that they are using 529 plans to save for college.

Have you started saving for college yet?

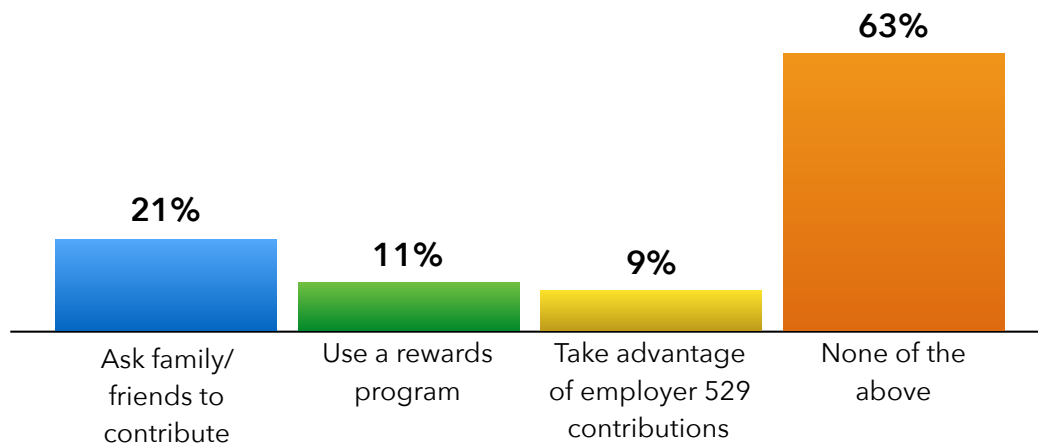


Percent of respondents who answered "Yes" to the above question by year

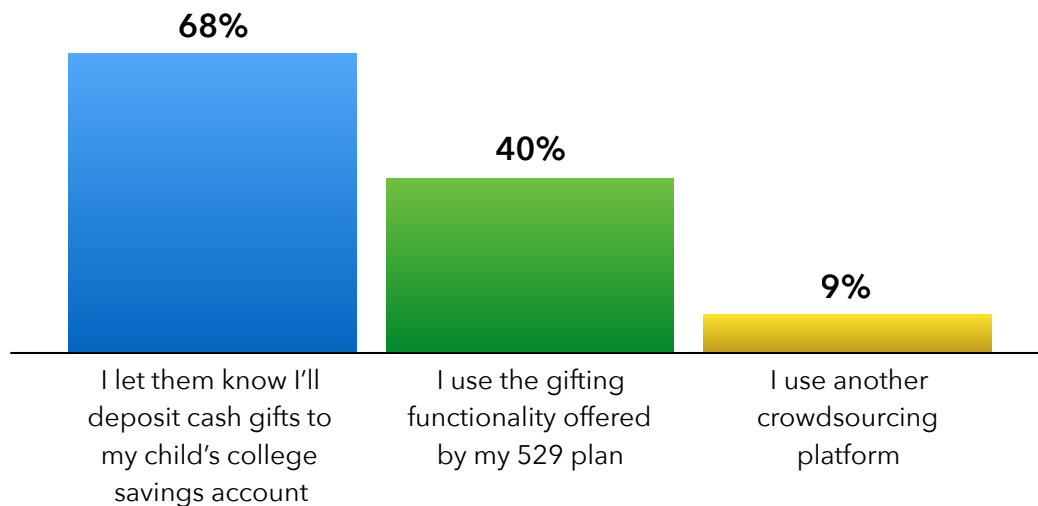


Among parents who are saving for college, a significant portion are asking family and friends to chip in. They are more likely to do this by depositing cash gifts into their college savings accounts, than by using a plan's or a third party's gifting platform.

Do you do any of the following to add to your child's college savings?

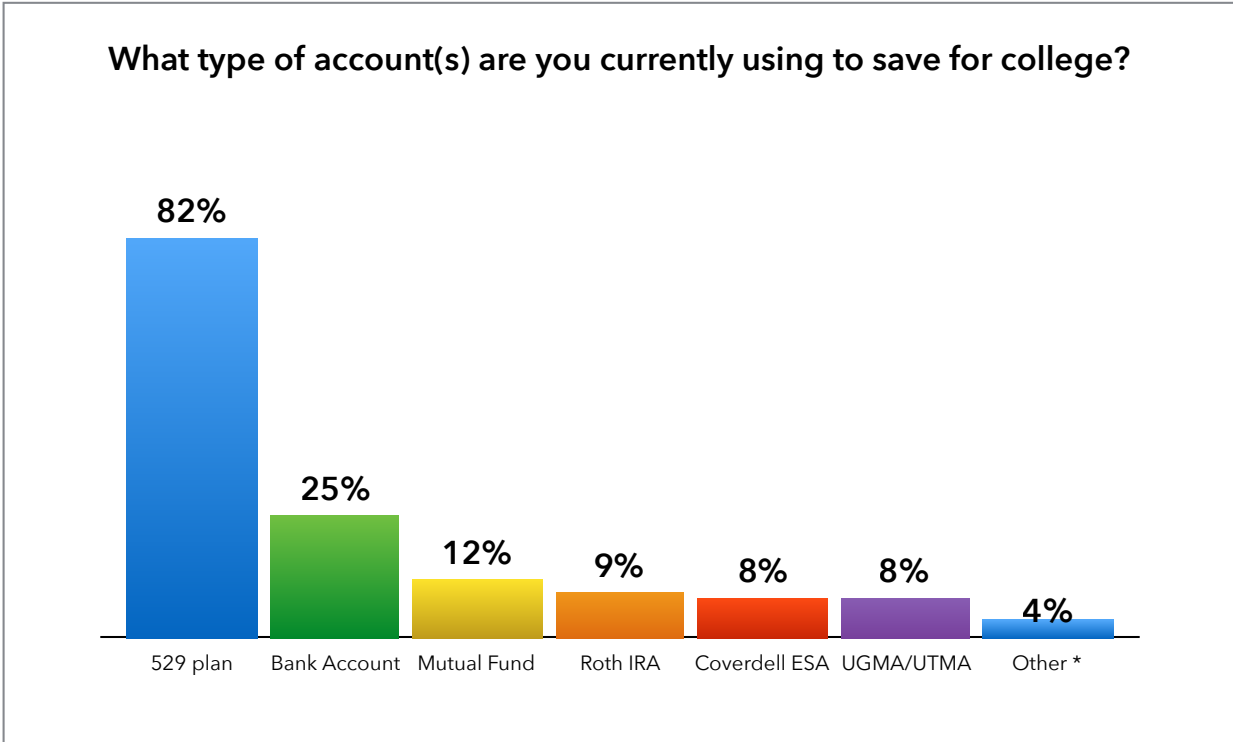


How do you ask your family or friends for gifts?

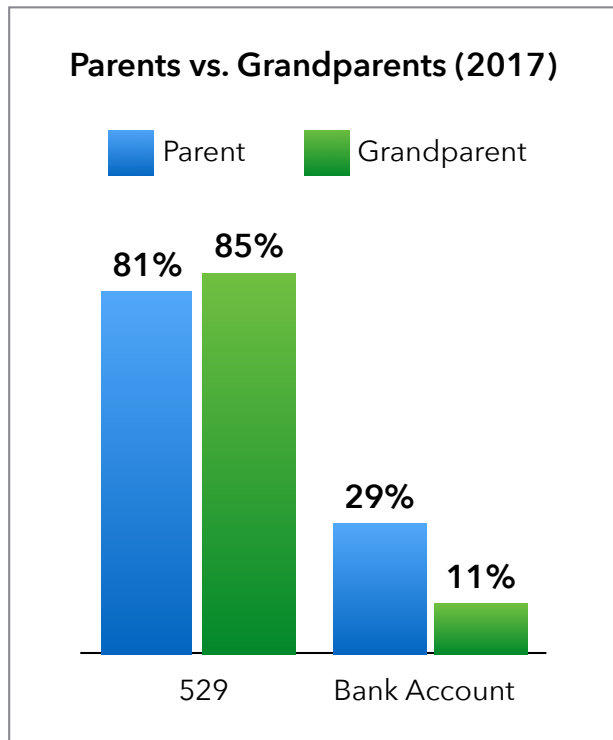
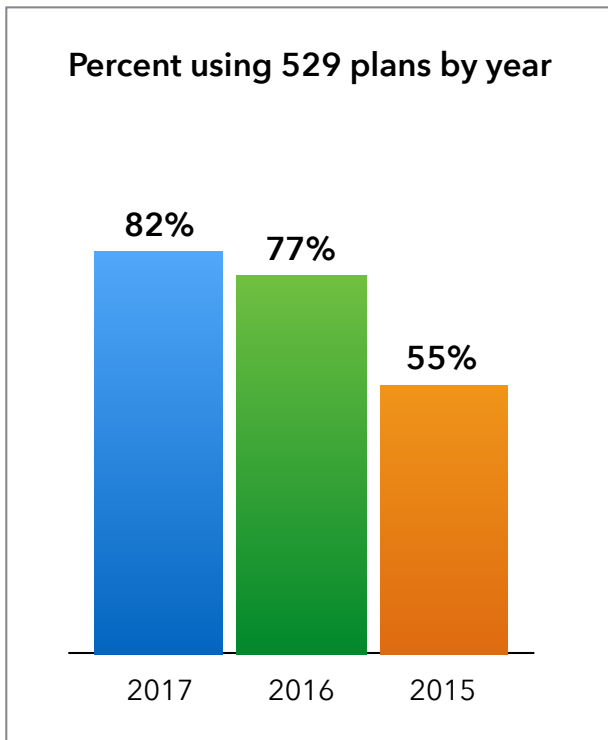


Among college savers, 82% told us they were using a 529 plan to save for college. The percent using 529 plans has consistently increased over the past three years.

Parents are more likely than Grandparents to use all account types except 529 plans, and parents significantly over-index on the use of Bank Accounts (which include CDs, Checking, Savings or Money Market accounts) for college savings.

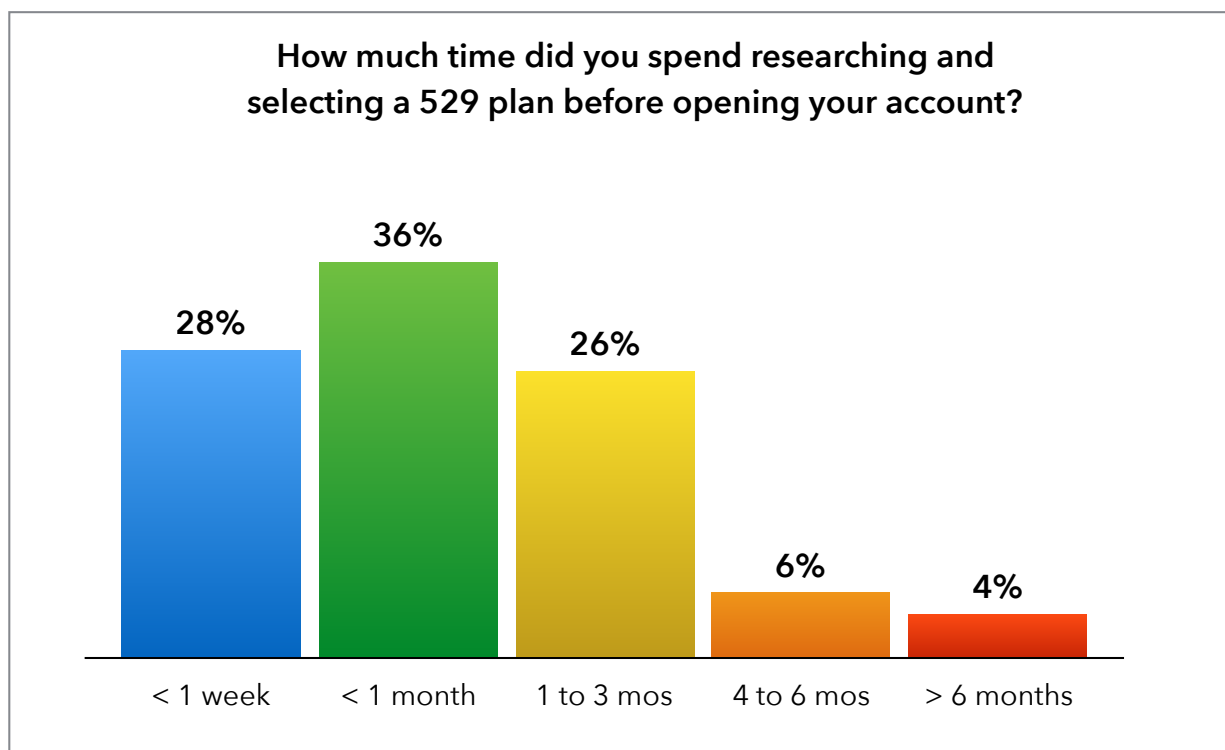


* "Other" included equity brokerage accounts and savings bonds



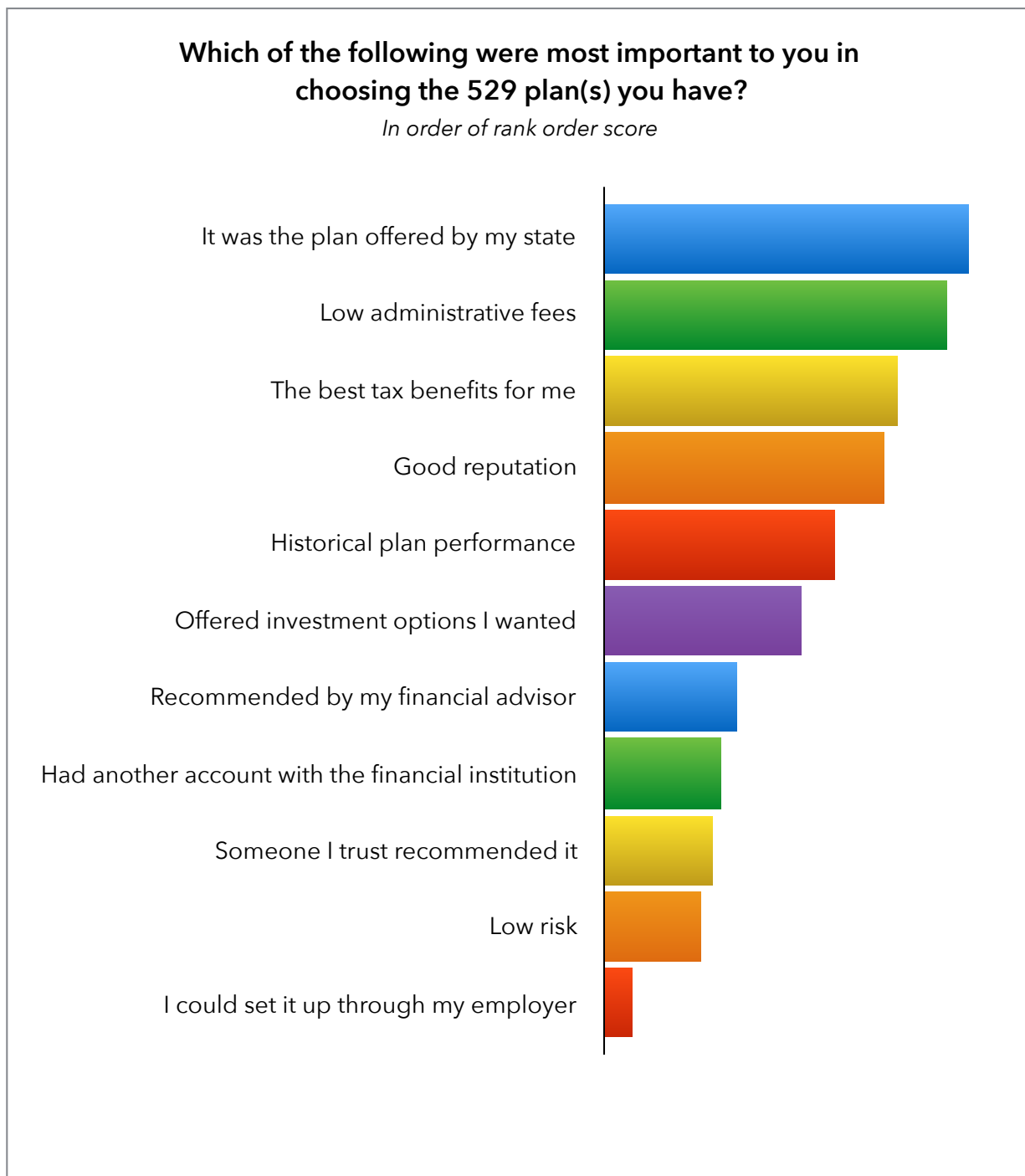
529 plan account holders: purchase, selection and saving behaviors

Survey respondents say they researched, selected and opened their 529 plans relatively quickly, with 64% saying it took less than one month. This question requires further study and research; qualitative interviews conducted by Savingforcollege.com have suggested that the research and selection process takes many savers at least 3 to 12 months.



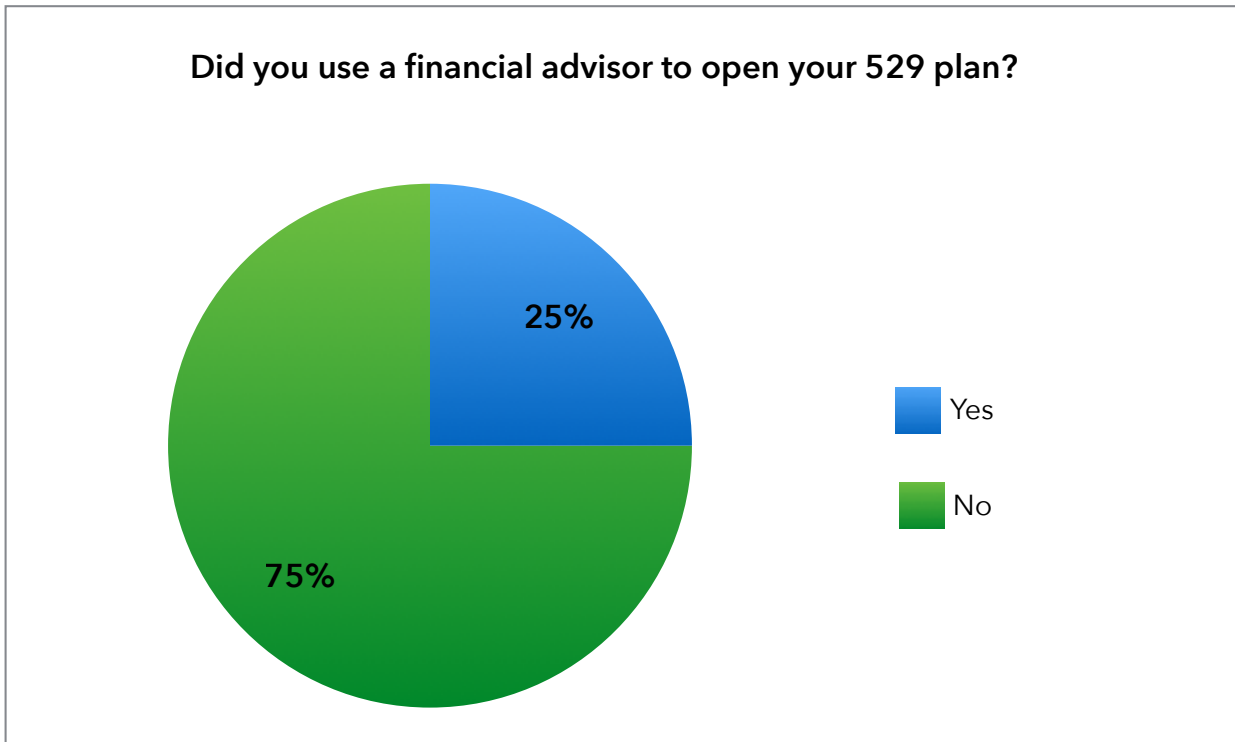
Key 529 plan selection criteria

As in previous years, state of residence, plan fees and tax benefits are among the most important criteria for consumers in selecting a 529 plan.



The role of financial advisors

Most respondents to the survey opted to DIY rather than work with a Financial Advisor to open their 529 plans.

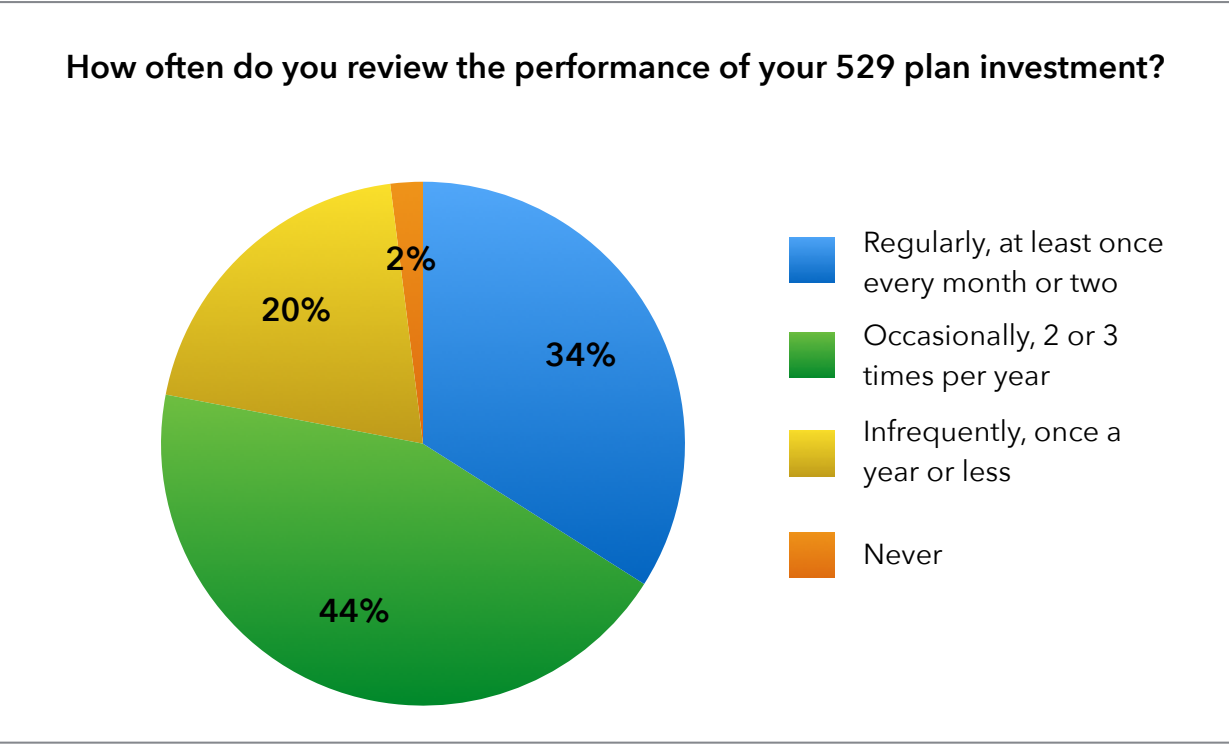
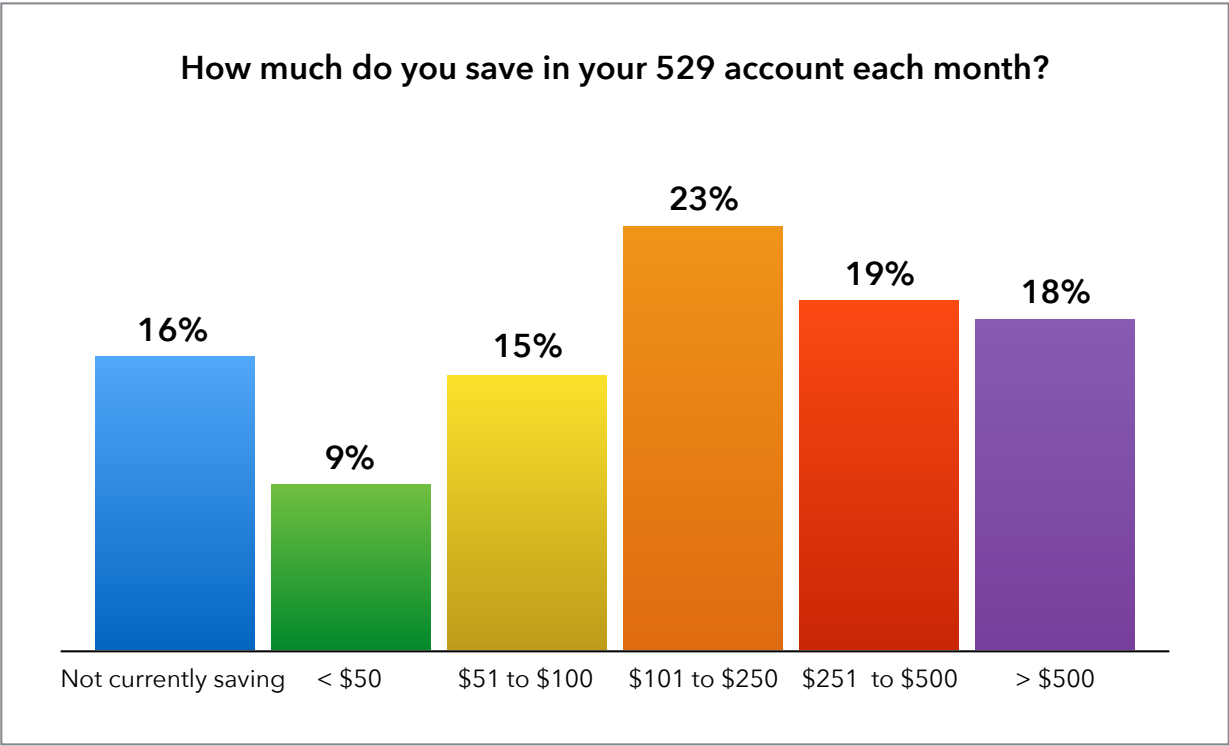


College savers who are already using a financial advisor are likely to turn to them for their college savings needs as well. However, many also turned to advisors for the expertise and assistance they can offer in navigating the complex landscape of 529 plans and college savings. Those who chose not to didn't want to pay for something they felt capable of doing on their own.

| Top three reasons for using a financial advisor: | | Top three reasons for <i>not</i> using a financial advisor: | |
|--|--|---|--|
| 1 | I was already working with a financial advisor | 1 | Comfortable researching / understanding investment options on my own |
| 2 | I wanted to turn to an expert | 2 | I don't want to pay commissions |
| 3 | I needed help to understand and select a 529 | 3 | Concerned about hidden fees or costs when working with a financial advisor |

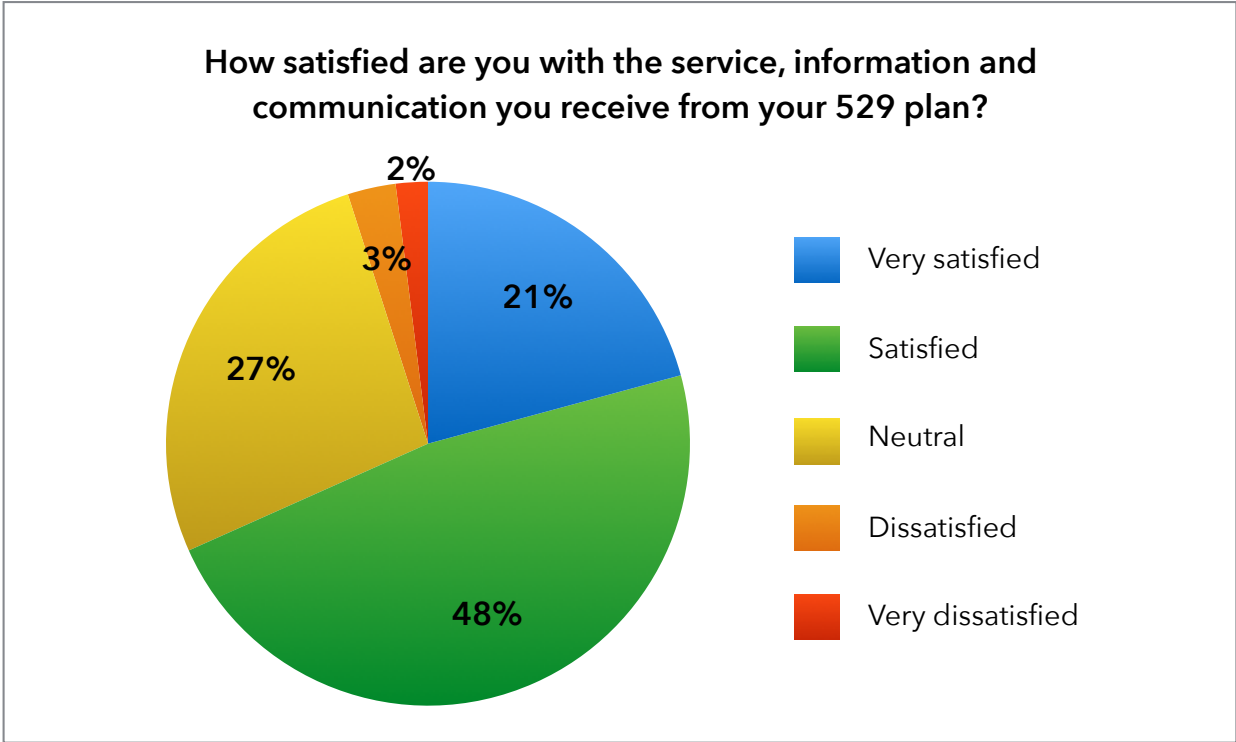
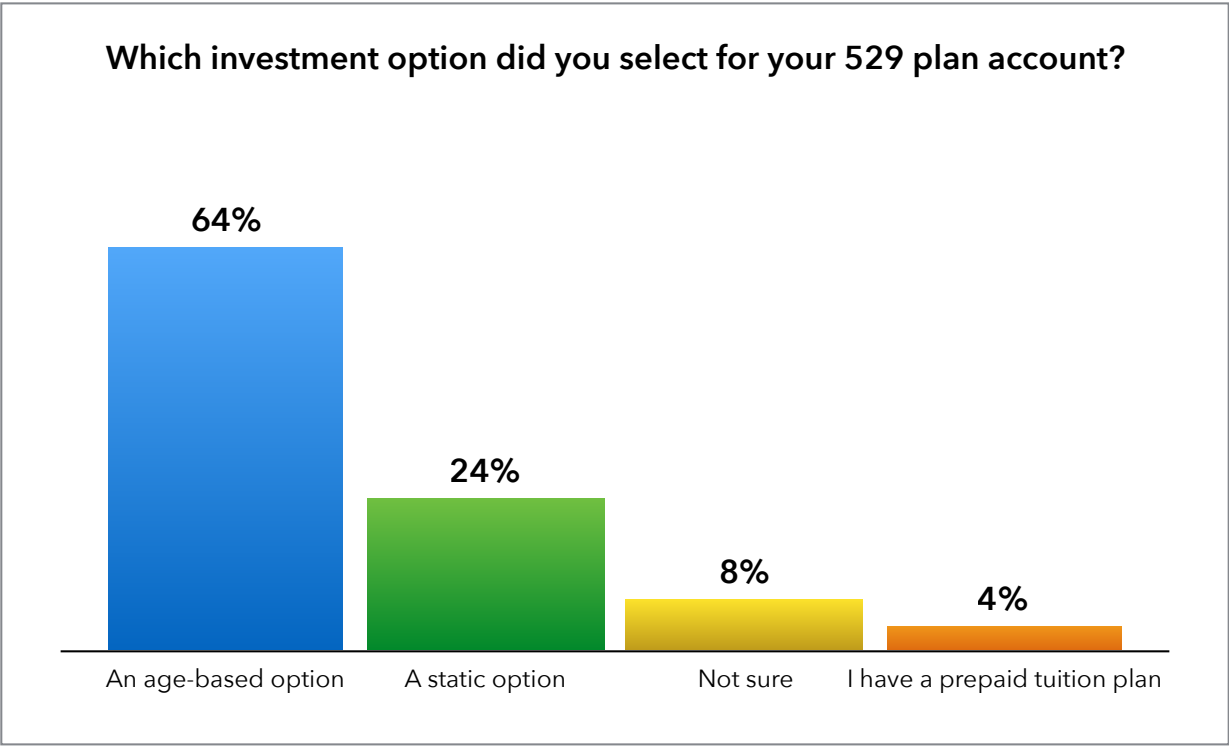
Savings behaviors

37% of survey respondents say they contribute over \$250 per month to their 529 accounts, and 78% check the performance of their 529 plan regularly or occasionally.



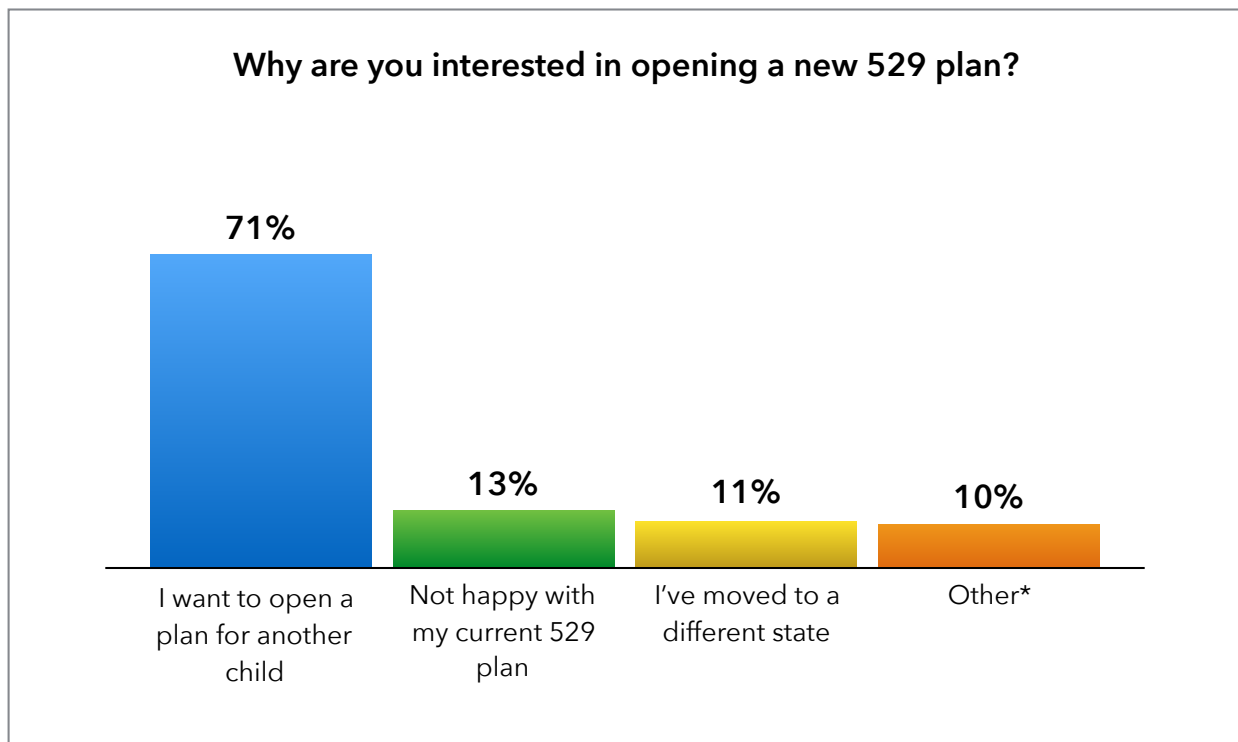
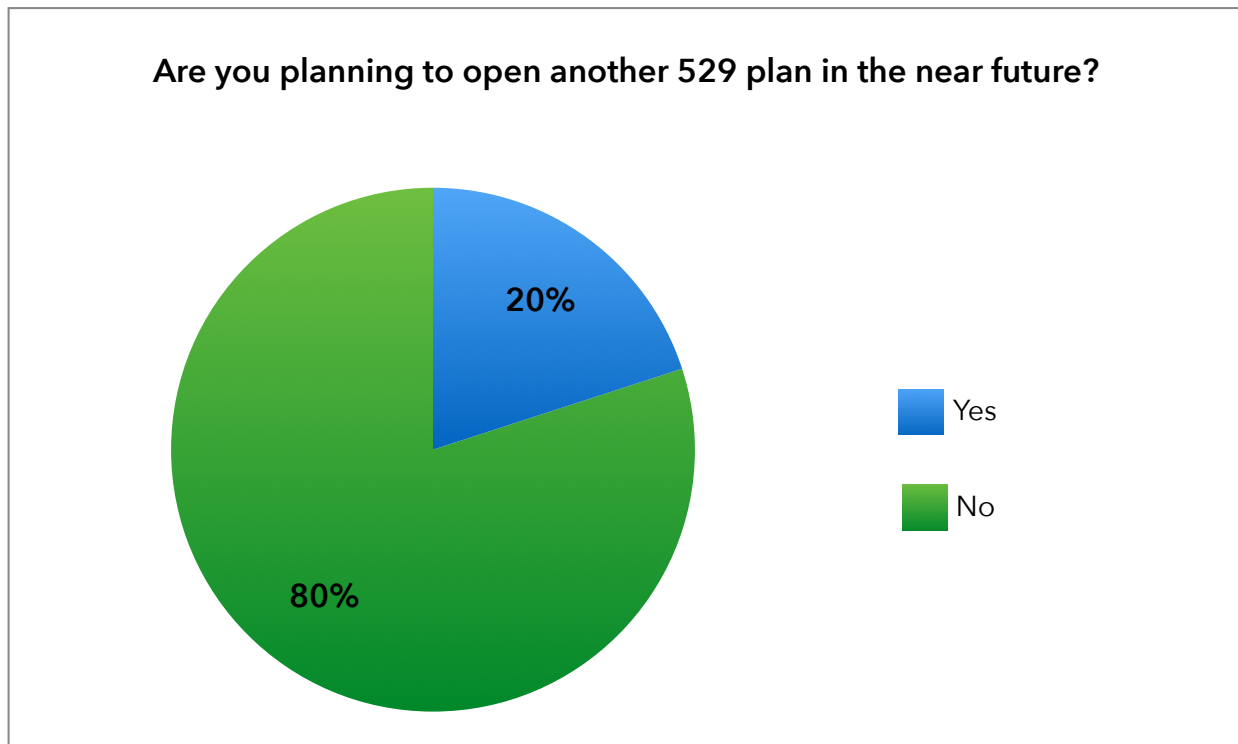
Savings behaviors

64% of 529 account holders told us they opted for an age-based investment option, and 69% indicate satisfaction with the service they receive from their chosen plan.



A 529 plan account holder may also be in the market for a new plan

20% of 529 account holders are in the market for a new plan. The primary reason to open a new plan is for another child, but 29% of people had a different reason for opening a new plan.

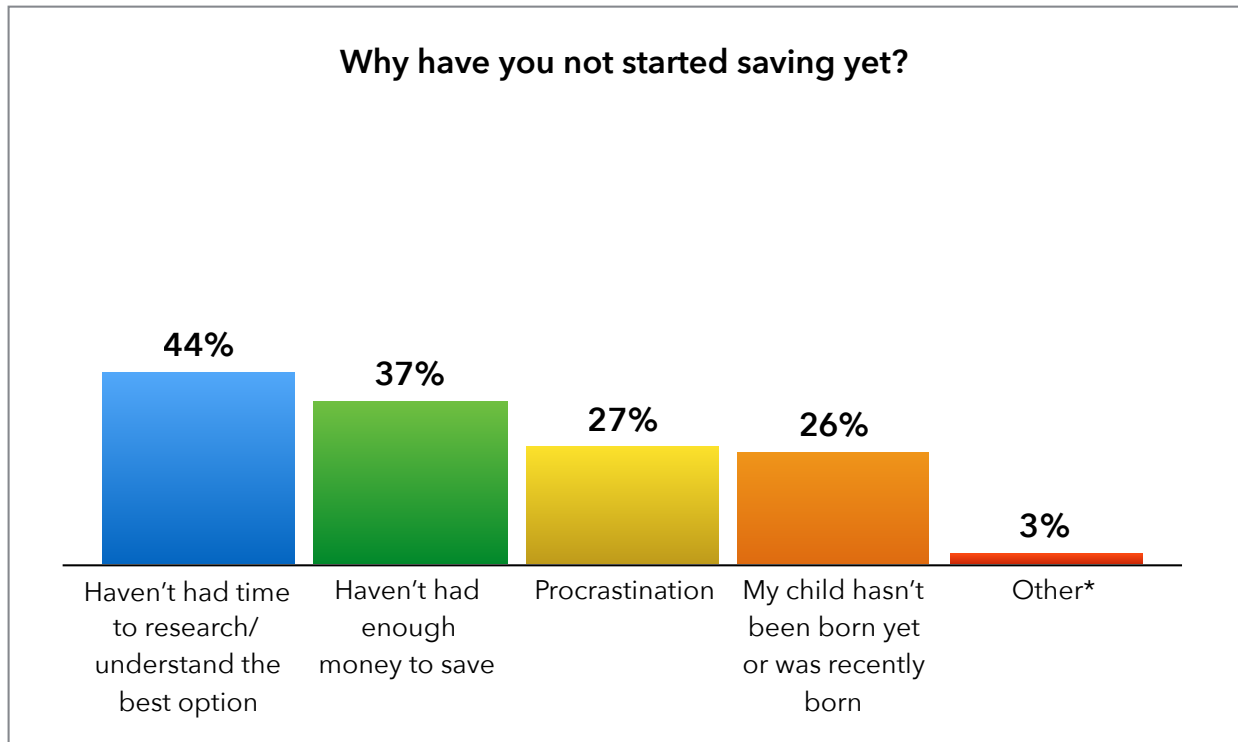


* Other responses included: "I want one plan specifically for grandparent contributions", "I want more investing control," and "I would like to have both a prepaid and an investment 529 plan"

Future savers

32% of respondents told us they hadn't yet started saving for college. This section focuses on these future savers who are just getting started with the research process to understand their college savings options.

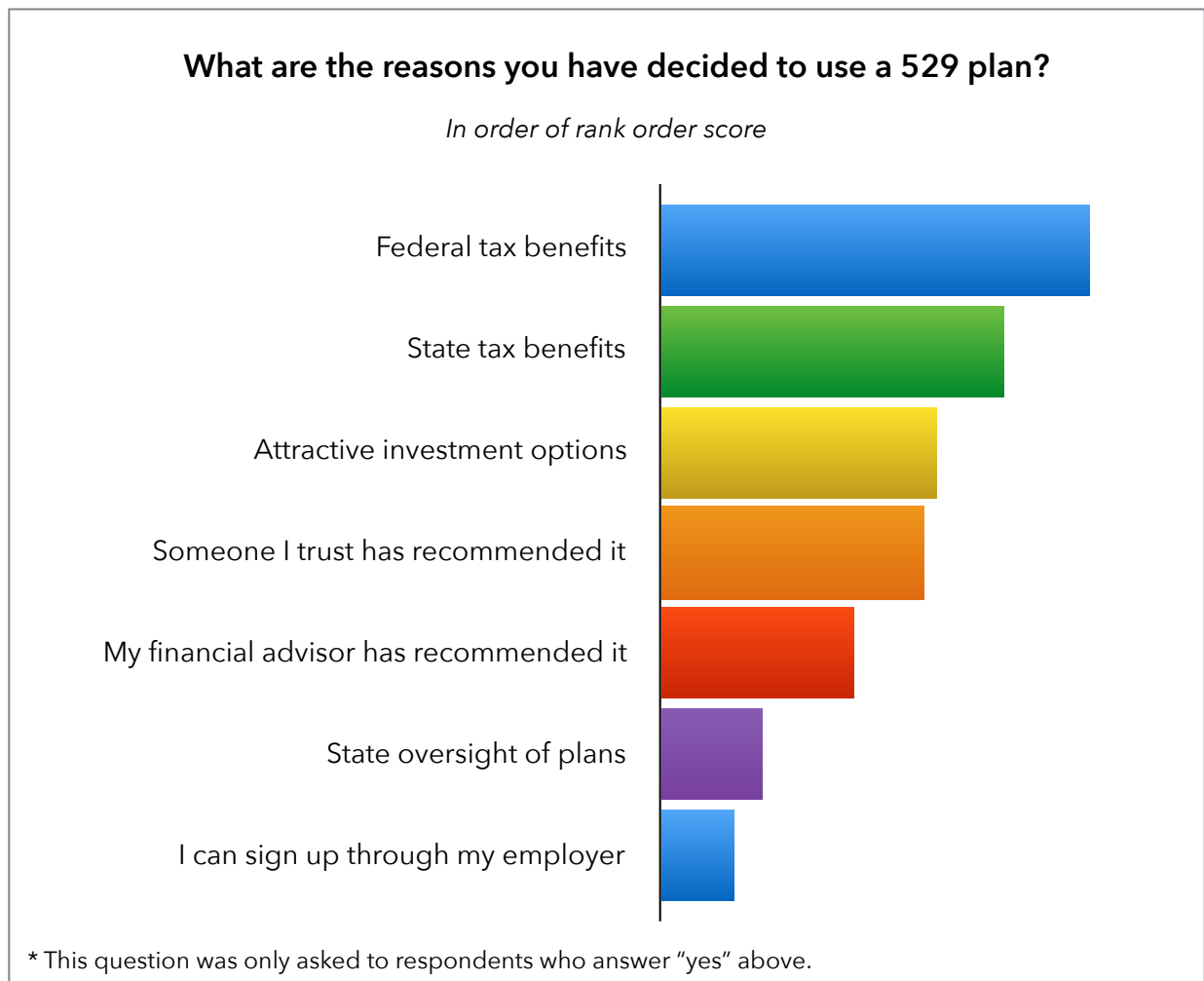
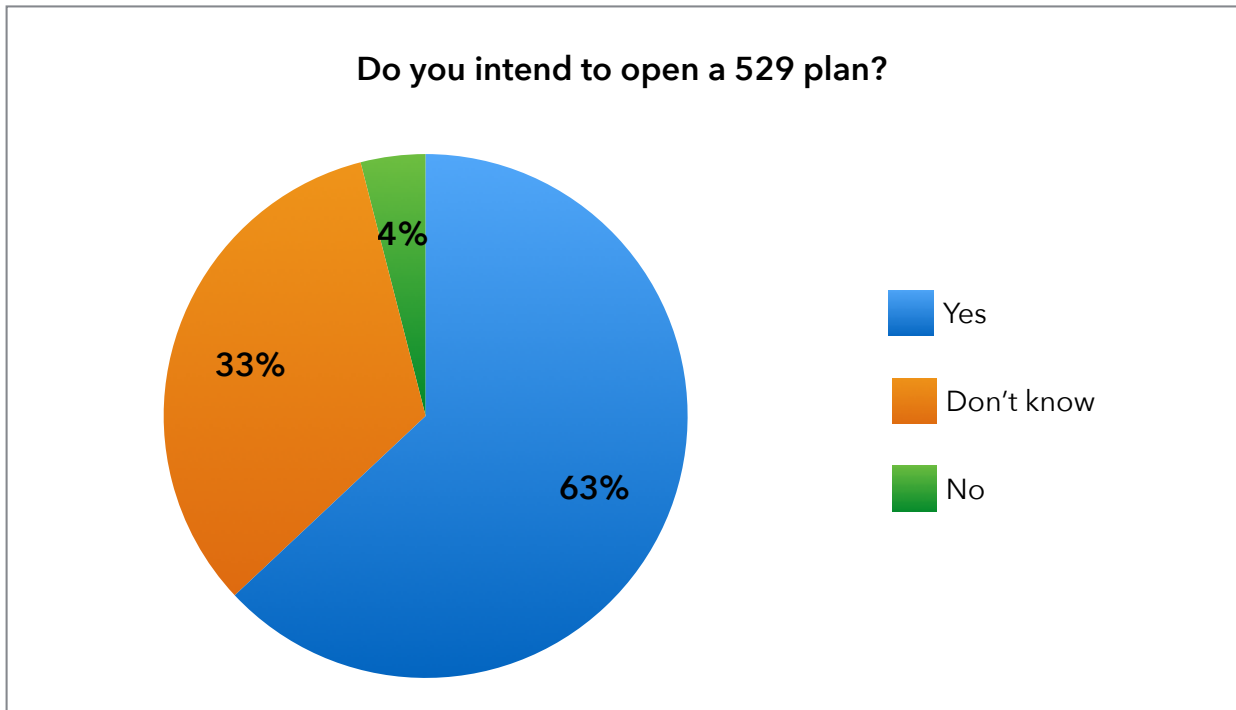
Many respondents told us they hadn't started saving yet due to a lack of time, money or simply procrastination. However, they are interested in learning about how to get started. Most of these future savers already know they want to open a 529 plan, but many are uncertain and need more information on the benefits, steps involved to get started, and their investment options within a 529.



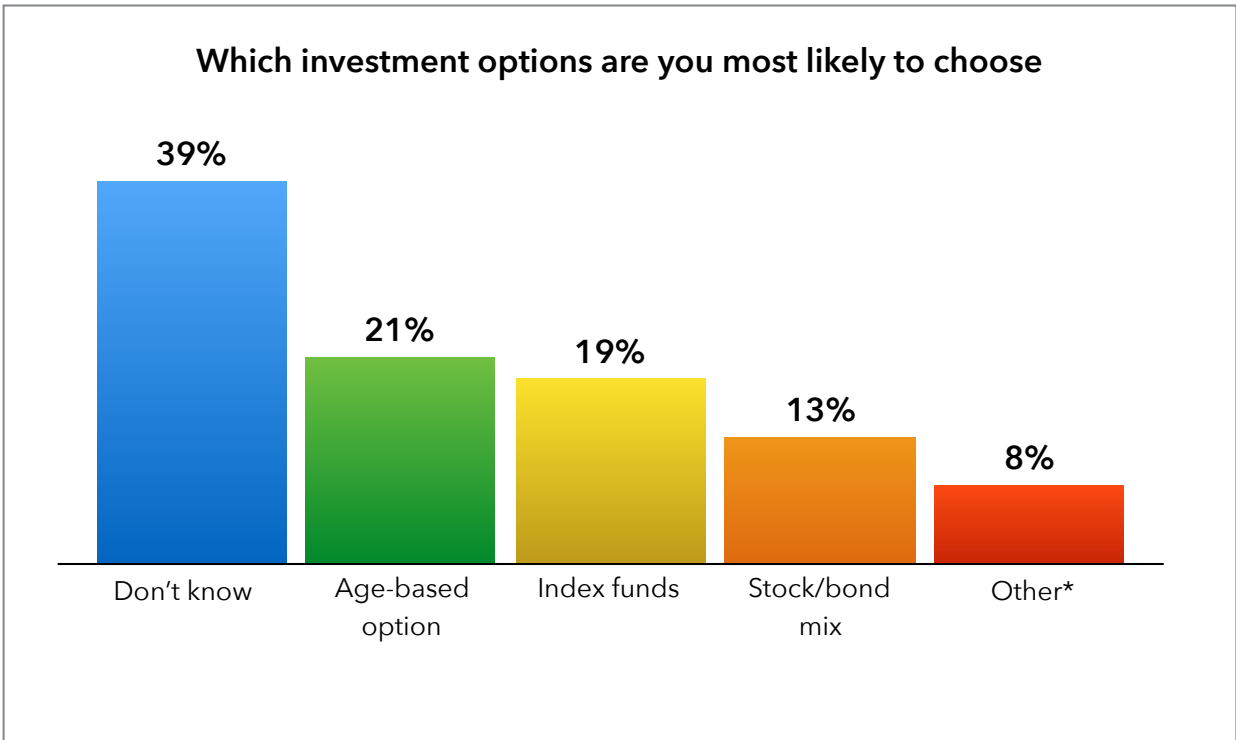
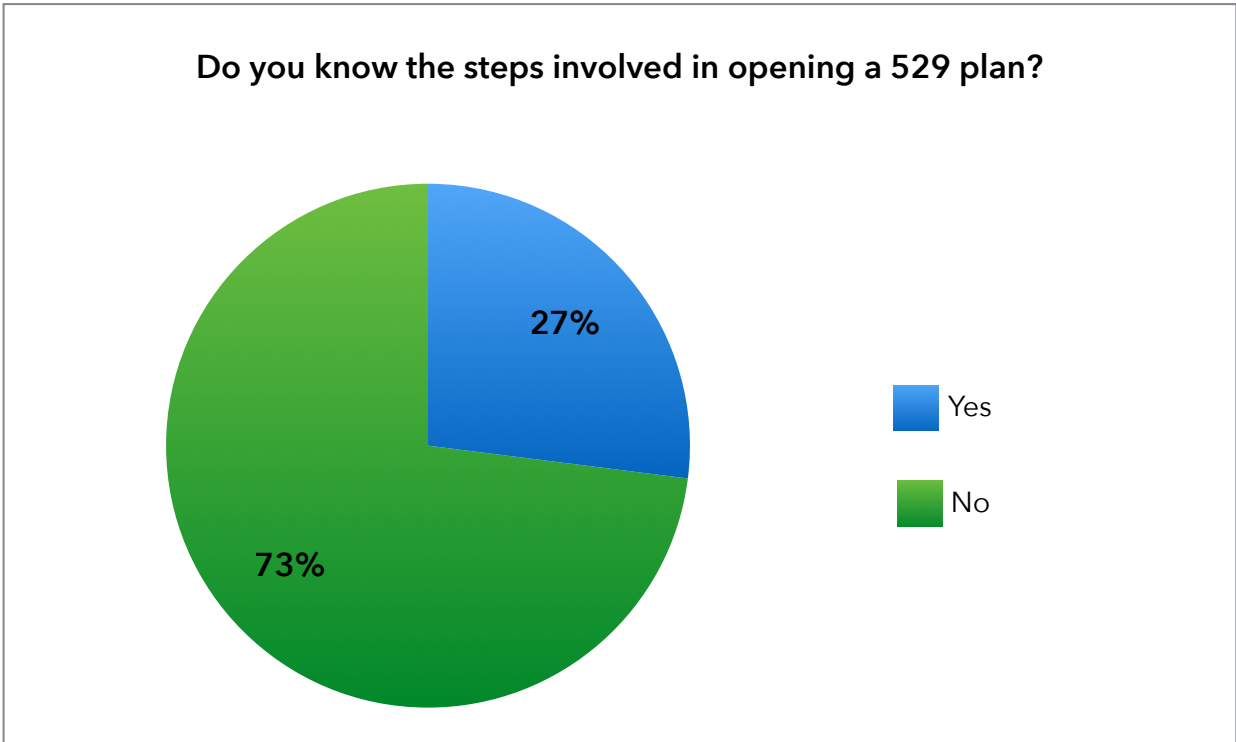
* Write-in responses included:

- "High early childcare costs"
- "In a graduate program"
- "Never thought of it"
- "From another country and didn't understand how expensive it is in the USA to obtain quality education"

529 plan intent



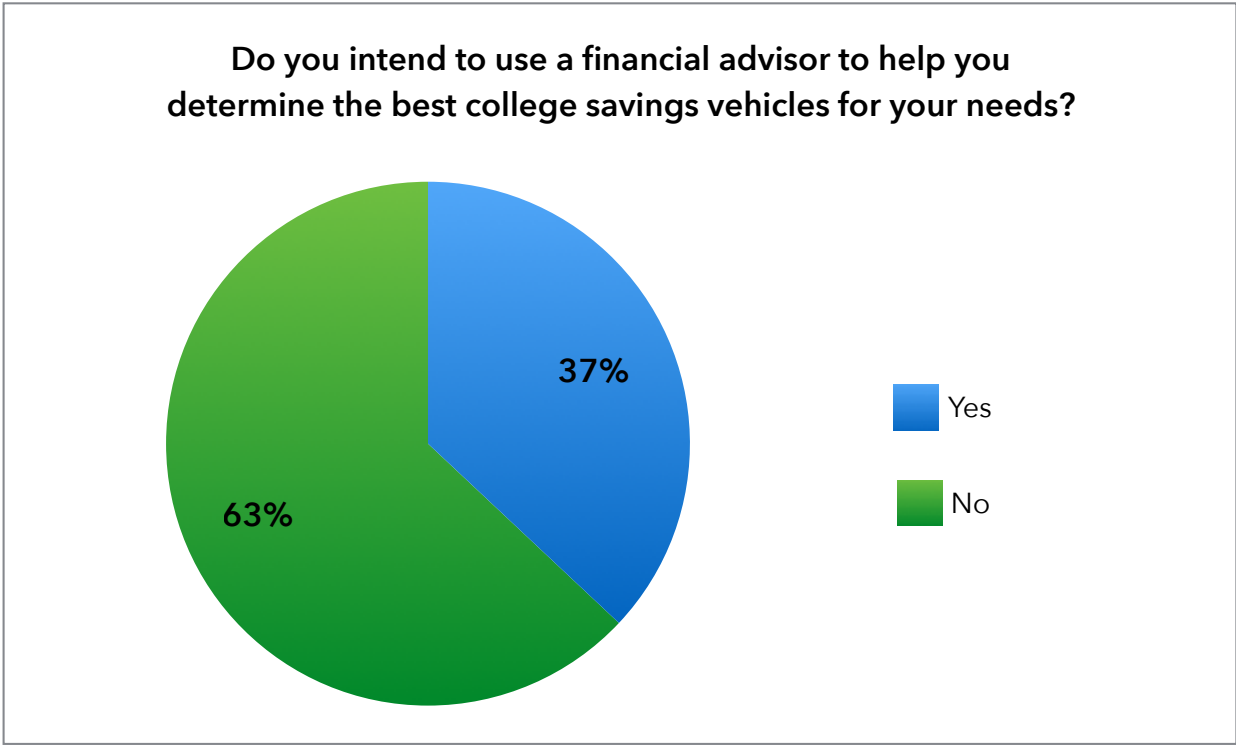
In spite of high intent, there is a great deal of uncertainty about how to open a plan and which investment option to select within a plan at this stage in the consumer research process.



* Other includes Equities, Money Market fund, Fixed Income/Bonds, and Socially Responsible investment fund.

The role of financial advisors

37% of respondents who don't already have a 529 plan indicated an interest in working with a financial advisor to help them get started.



Reasons to use or not use a financial advisor are similar for those who haven't opened a 529 plan yet and those who already have.

| Top three reasons for using a financial advisor: | | Top three reasons for <i>not</i> using a financial advisor: | |
|--|---|---|--|
| 1 | I need help in understanding my options and creating a college savings plan | 1 | I don't want to pay commissions |
| 2 | I already have a financial advisor I work with | 2 | Comfortable researching and understanding investment options myself |
| 3 | I want to turn to an expert | 3 | Concerned about hidden fees or costs when working with a financial advisor |

Consumer understanding of 529 plan rules

This year's survey responses indicate a sustained improvement in consumer understanding of 529 plan rules and a decrease in misperceptions.

Respondents were presented with a series of statements related to 529 plan rules and asked whether each was true or false. Correct responses were chosen at a higher rate for every statement except the final one, regarding 529 plan control.

| STATEMENT | CORRECT RESPONSE | PERCENT SELECTING CORRECT RESPONSE | | |
|--|------------------|------------------------------------|------|------|
| | | 2017 | 2016 | 2015 |
| I must use the 529 plan offered by my state of residence. | FALSE | 86% | 82% | 80% |
| If my child doesn't go to college, I'll lose the money I've saved in a 529 plan. | FALSE | 91% | 88% | 83% |
| 529 plan savings must be applied toward colleges in the state where the plan is based. | FALSE | 92% | 89% | 84% |
| If my child gets a scholarship, I'll lose the money I've saved in a 529 plan. | FALSE | 96% | 93% | 91% |
| Savings in a 529 plan are considered when determining financial aid eligibility. | TRUE | 69% | 67% | 67% |
| My child can never withdraw from the 529 plan without my permission. | TRUE | 61% | 64% | 63% |