

Year-End Survey 2017: Gifting and 529 Plans

Executive Summary

As we approach the end of the year, thoughts turn to gift-giving, especially for children. In October of 2017, Savingforcollege.com surveyed 1,819 readers to ask parents and grandparents about how gift-giving fits into their college savings planning.

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 typically more affluent and more likely to be saving for college than the average American household.

Respondent profile

Respondents consisted of parents and grandparents interested in college savings:

- 82% are parents vs. 18% grandparents
- 68% are between the ages of 25 and 54
- 68% have household incomes of \$100,000 and above
- 41% are saving for a child age 5 or younger, and 59% for a child 10 or younger
- 52% are male, 47% female, and 1% declined to state

Younger parents seem more likely to ask for gift contributions to their child's college funds

Overall, most parents say they do not ask family or friends to contribute gifts to their child's college savings plans, with only 36% of all parents saying they do. However, two factors seem to influence the propensity to ask for gift contributions. One is whether or not a parent has opened a 529 plan. Only 30% of parents who did not have a 529 said they asked for gifts, compared to 36% of parents with a 529 plan. The other factor appears to be the age of the parent. Among parents with a 529 plan, 38% of those ages 25-34 asked for gift contributions, compared to only 19% of those ages 45-54.

Parents with 529 plans receive more in gifts

21% of parents with a 529 plan received \$200 or more in gift contributions in the prior year, compared to only 10% of parents with no 529 plan. 35% of parents thought 5% or more of their children's college fund could come from gift contributions.

Asking for gift contributions is perceived as awkward or improper by many parents

39% of parents who don't ask for gift contributions felt embarrassed or uncomfortable, or just didn't think it was appropriate to ask others.

Grandparents want to open own plans for control, but are open to gifting instead

75% of grandparents in the survey indicated they had opened a 529 plan for a grandchild. Of those who hadn't, 66% said they would consider making gift contributions instead of opening their own plan. Top reasons for grandparents to open a plan are to maintain control, or due to lack of action by the parents who haven't opened a 529 plan yet.

About the Survey

The results of this survey provide insights into the college savings behaviors of parents and grandparents in the United States, particularly when it comes to gift-giving and year-end account opening behavior.

The survey was administered online to visitors to the Savingforcollege.com website during the month of October 2017. A total of 1,819 parents and grandparents completed 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.

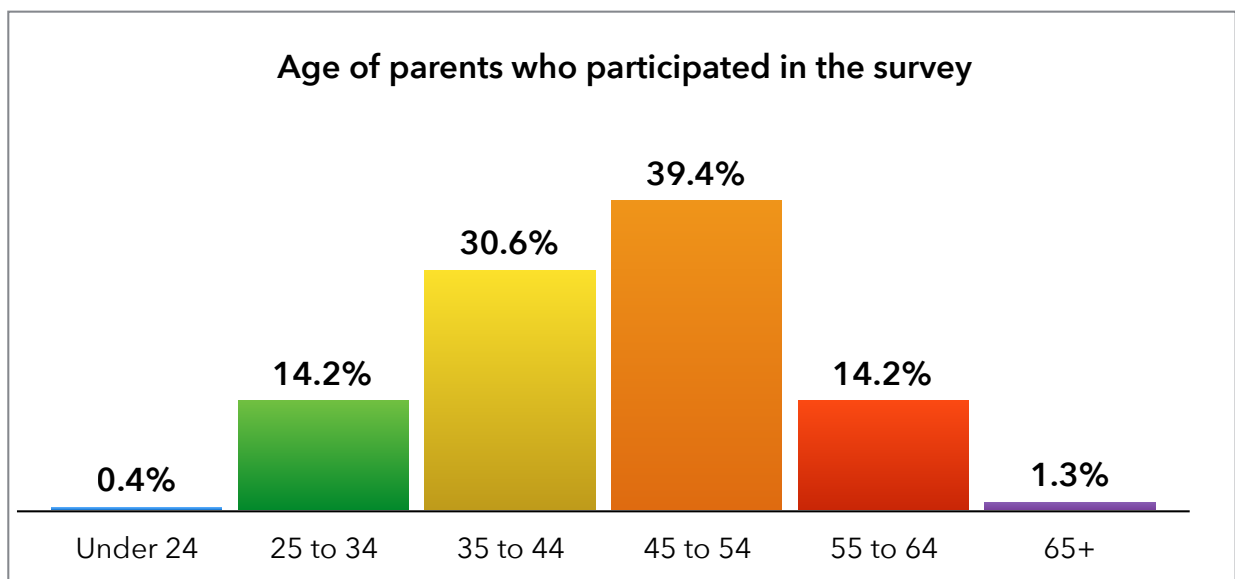
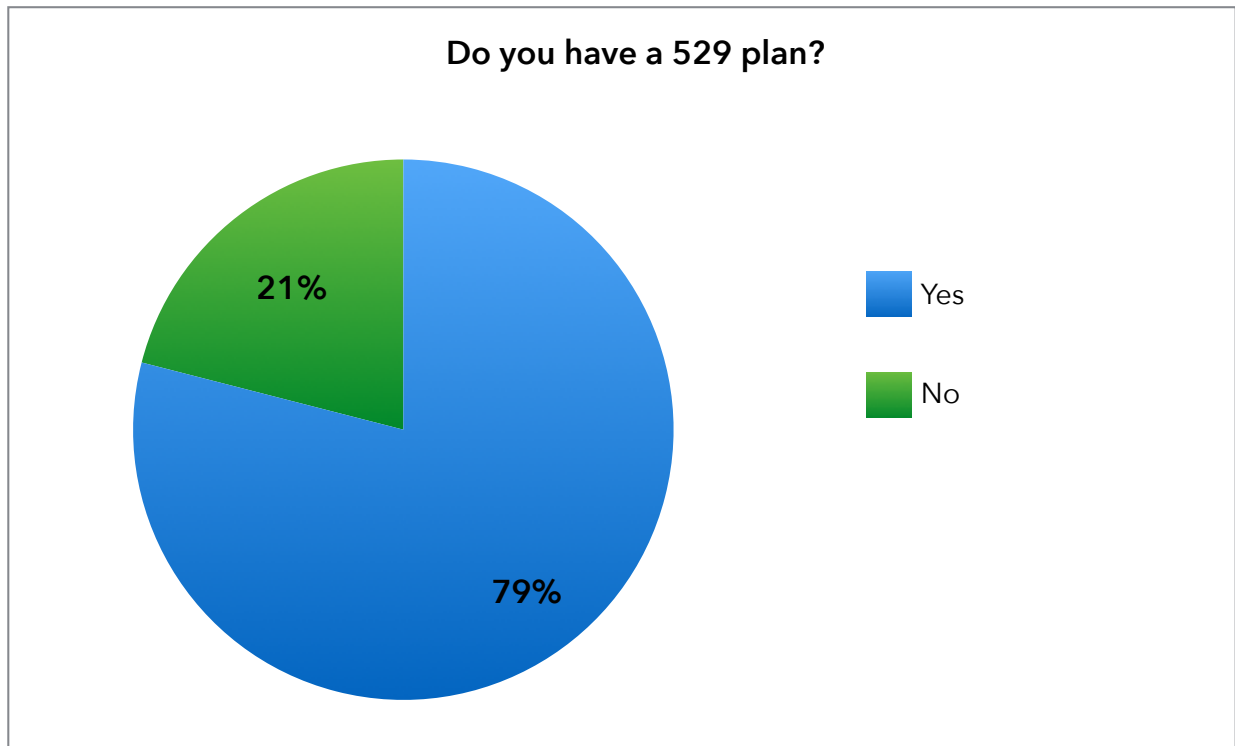
About Savingforcollege.com:

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

Parents and college savings gifting

The majority of parents do not ask friends and family to contribute to their child's 529 plans for a variety of reasons. In some cases, family members are unable to or don't want to, in others, parents find the conversation awkward or uncomfortable, or simply don't feel it's anyone else's responsibility.

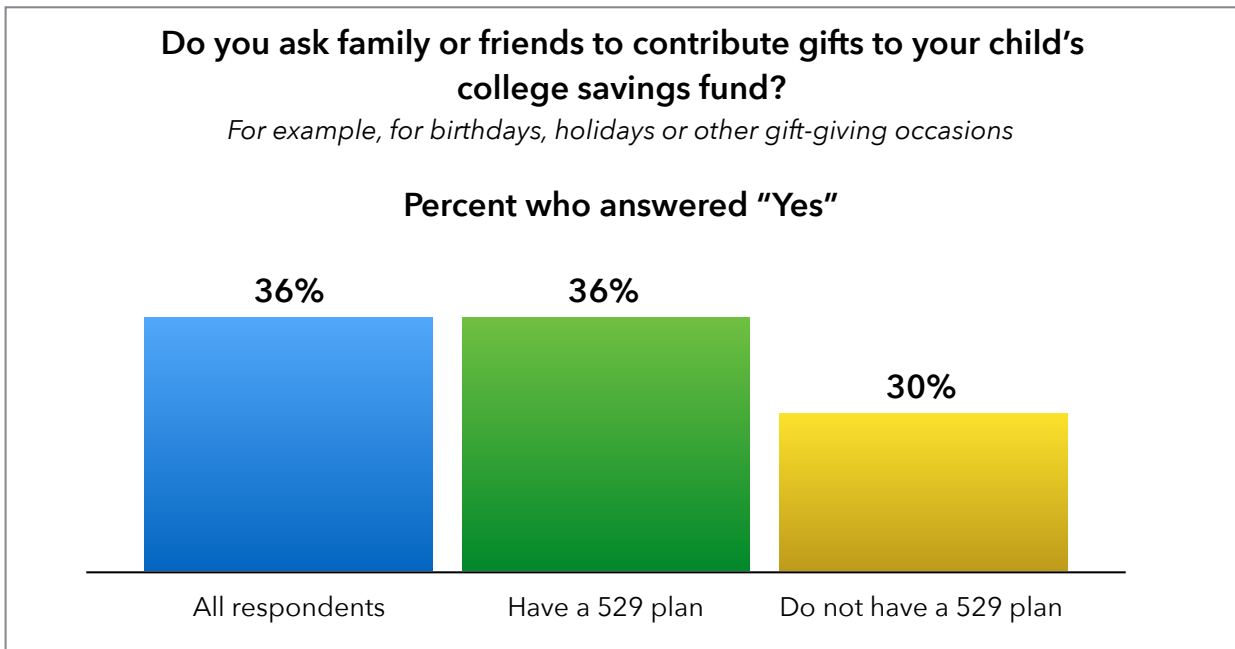
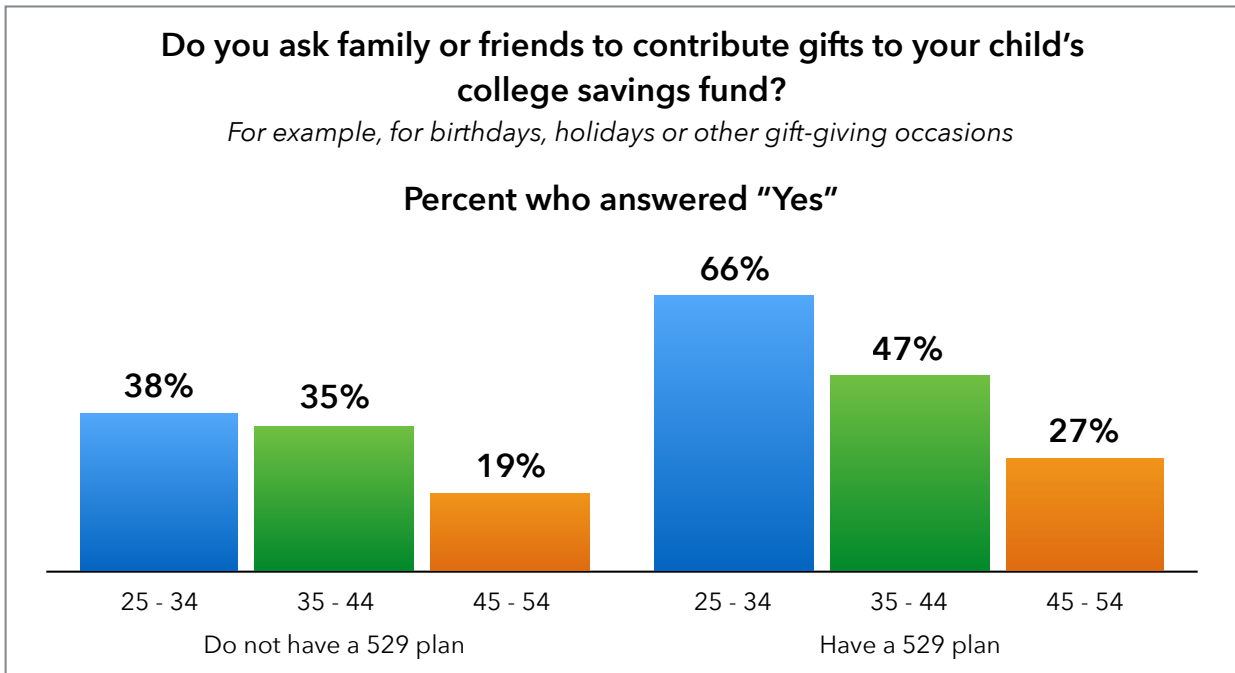
Two factors seem to influence whether or not parents ask for gifts: whether the parent has a 529 plan set up, and the parent's age group.



Factors in gifting: parent's age group and existence of 529 account

Younger parents appear more willing to request college savings gifts, especially if they already have a 529 plan. Some plausible reasons for this include:

- College costs continue to increase without much relief in sight, making it harder for the average American to expect to save enough to fully cover the costs.
- Younger parents are more likely to be burdened with their own student loans, and want to help their children avoid the same.
- The increased prevalence of crowd-sourcing for a variety of reasons may make the younger generations more comfortable with asking.
- Older parents' experiences with gifting may have dissuaded them from expecting gifts.

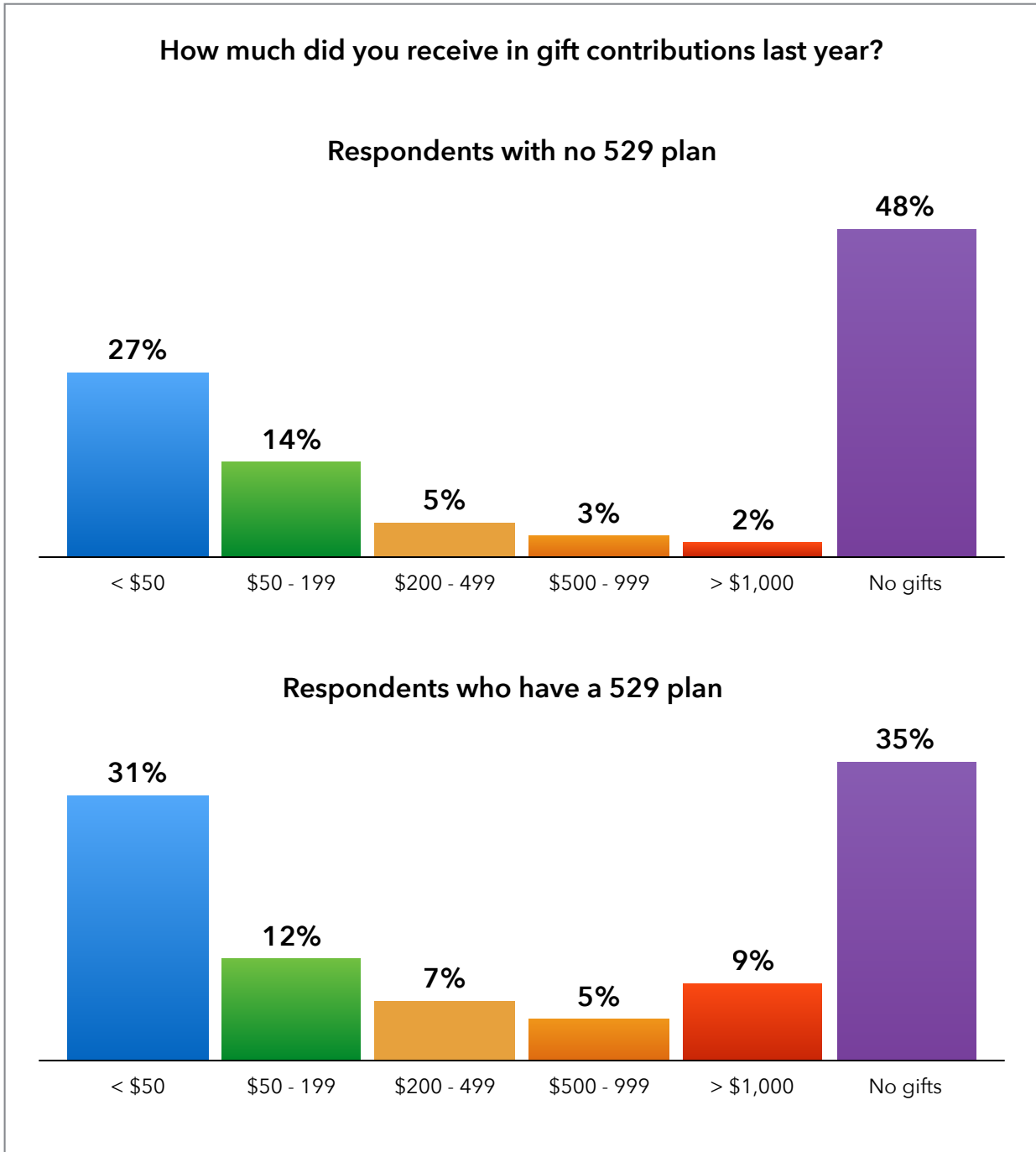


The 529 plan as a factor in gifting

Those who have a 529 plan are not only more willing to ask for gifts, but are also more likely to receive gifts, and to receive gifts of greater value.

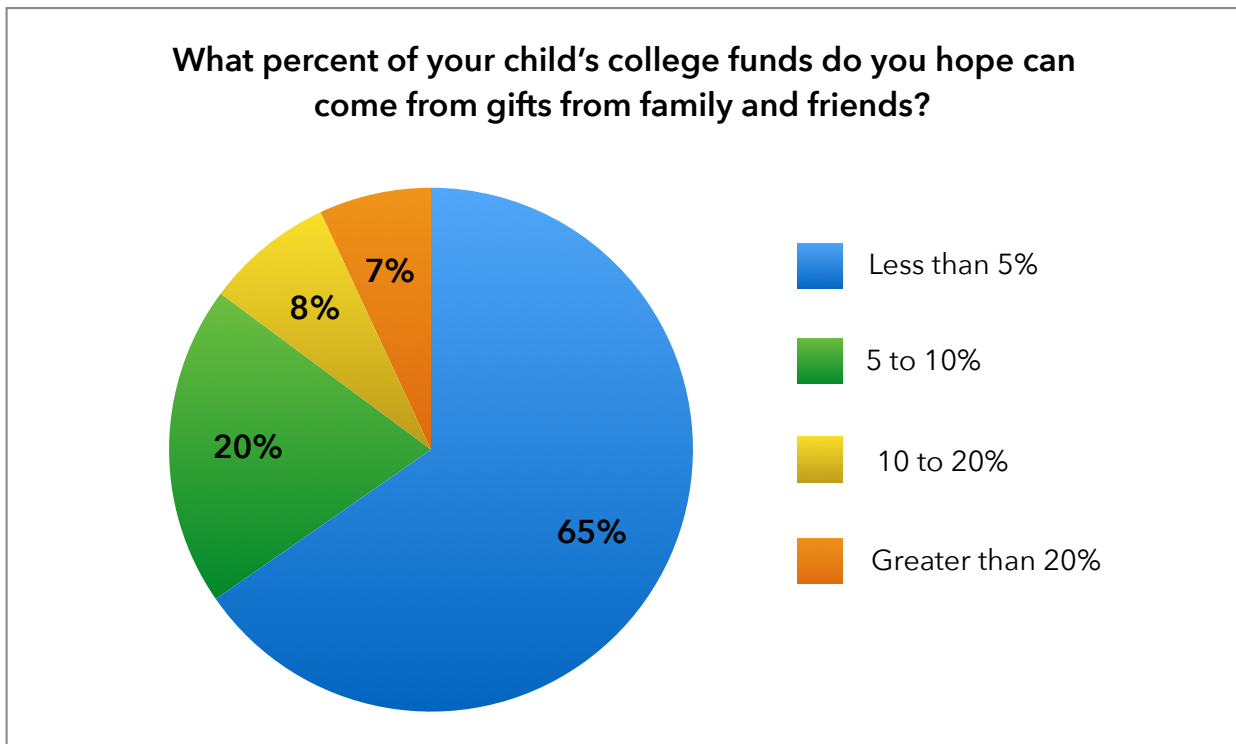
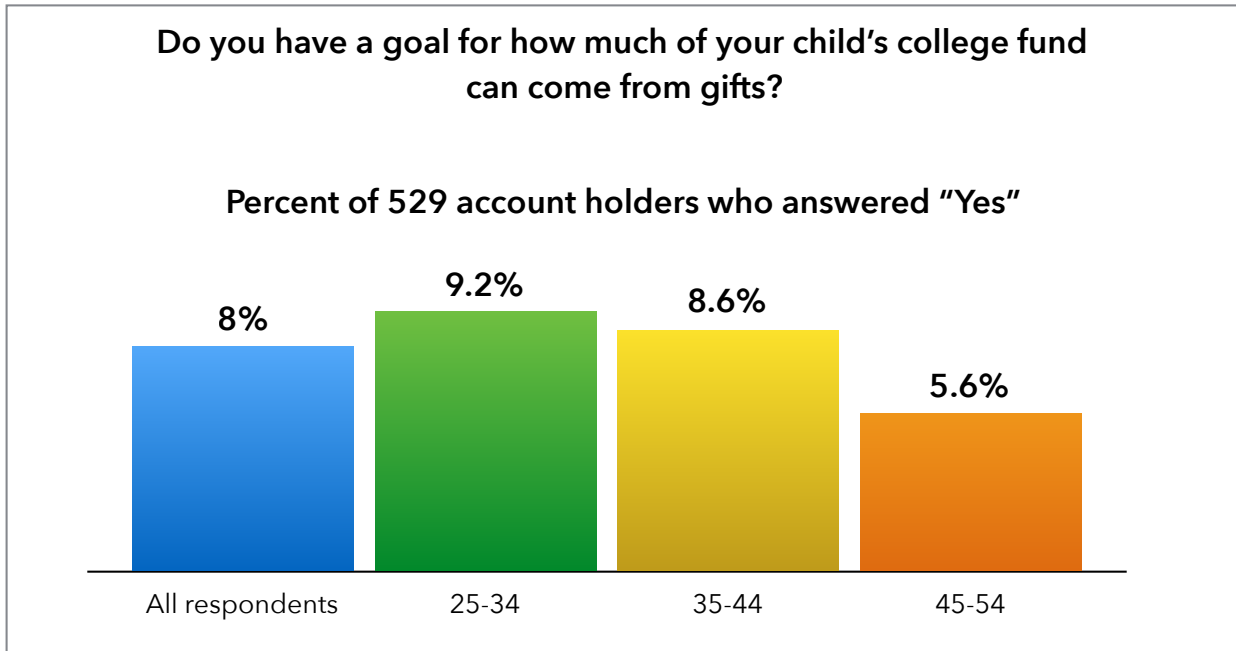
It may be that parents who have a 529 plan are further along in their savings planning, and better able to communicate this to friends and family. The presence of a 529 plan may also give gift-givers confidence that their gift will be invested as intended.

An average of 72% of respondents expect to receive the same amount in gift contributions this year as they did last year, regardless of whether they had a 529 plan or not.



Gift contribution goal-setting

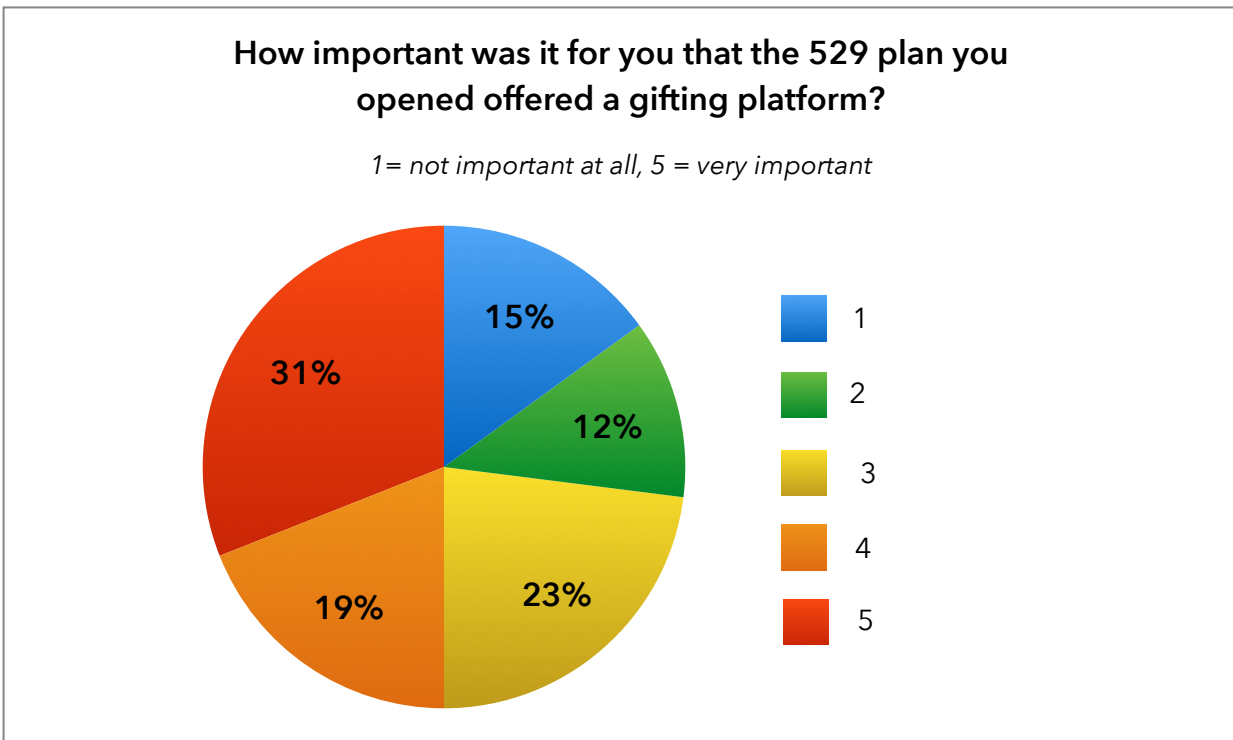
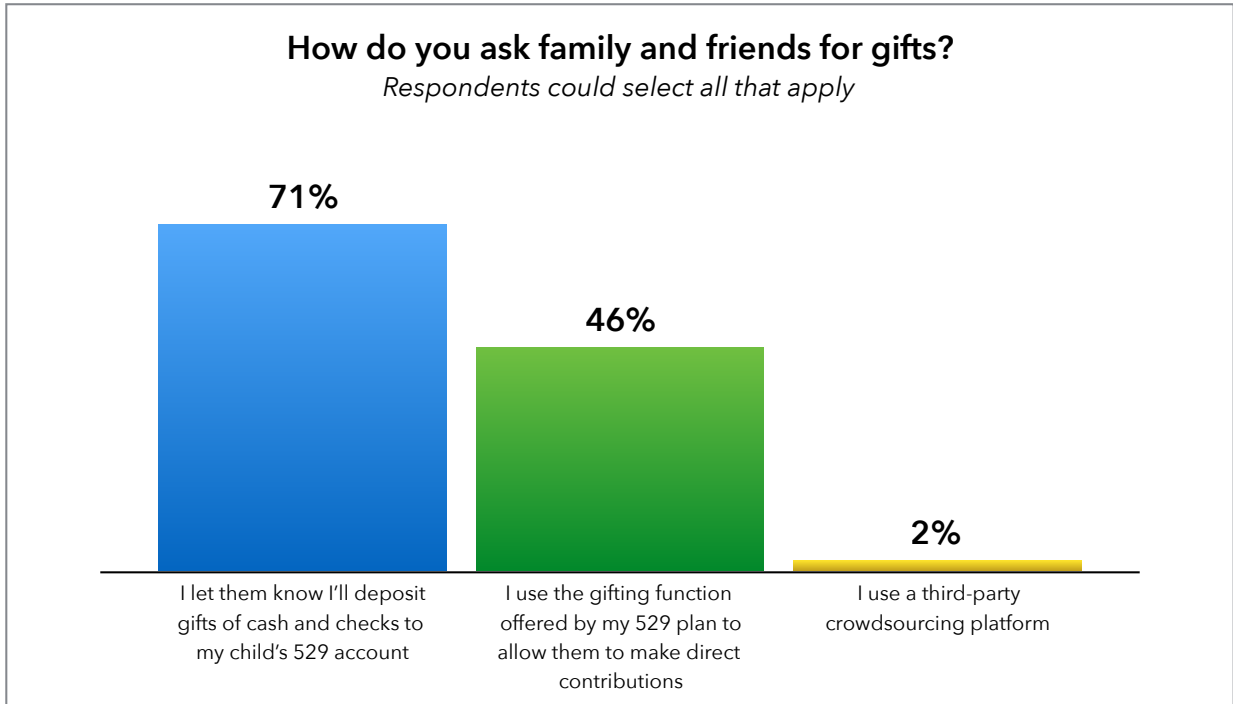
Although a large segment of parents with 529 plans ask for gifts, only a small percent have a goal in mind for gifting, though this varies with age. More importantly, among all parents with 529 plans, more than 30% indicated they hoped that 5% or more of their child's college fund could come from gift contributions, indicating the importance of gifts as a source for college money.



How parents ask for gifts

Among 529 account holders, cash and checks are still the most popular form of gift, however, the gifting functionality offered by the parent's own 529 plan is gaining in popularity, especially with younger parents. These same parents are less likely to ask for cash and checks: only 65% of 25 to 34 year-olds indicated they deposited cash and checks to their child's account, while 62% use their 529 plan's gifting function.

Overall, a gifting platform was an important feature to 50% of respondents in choosing their 529 plan.



Why don't more parents encourage 529 gifting for their children?

Although many parents are taking advantage of the generosity of family and friends to build their children's college funds, many more do not. In fact, 64% of parents with 529 plans and 70% of parents without a 529 plan do not actively encourage family and friends to consider college fund contributions in lieu of other gifts. Here are some of the top reasons why parents don't ask for gift contributions:

- 39% felt it was awkward, not proper to ask, and/or not the responsibility of others to contribute
 - *"I don't like to ask for gifts or tell people how they should give."*
 - *"Seems rude."*
 - *"Awkward conversation and there are many children in the family."*
 - *"I find it distasteful."*
- 17%: Family has own manner of gifting or prefer to give other gifts
 - *"I've asked, but they would rather buy gifts."*
 - *"We tried a long time ago and no one seemed interested."*
- 15%: Unsure, forget to ask, didn't think of it or don't know how
 - *"Did not think about it. Thanks for this idea."*
 - *"Hmm...hadn't thought of it, I guess..."*
- 11%: No one to ask, or family does not have the means:
 - *"Family is too large to choose one child to support."*
 - *"There is no one who would contribute."*
 - *"Family is poor and not technologically adept."*
- 6%: No need or family does not perceive a need
 - *"Inheritance has total cost almost covered. Oldest son will get some financial aid which will leave more in 529 for youngest."*
 - *"I make too much money to ask family and friends, most of whom earn considerably less than me."*
 - *"My financially well off relatives already contribute to a different 529 plan for my children."*

Year-end and 529 account opening

We asked parents with no 529 plan, but who intend to open a new 529 account, how soon they thought they would open their plans. 44 percent of them indicated they wanted to open their new accounts within the next three months, 56 percent indicated it was important to open their account before the end of the year. Here are some of the top reasons parents wanted to open an account before year's end:

- 31% indicated that sooner was better:
 - *"We want interest to start compounding as soon as possible."*
- 16% feel they've procrastinated long enough
 - *"I've already waited too long to start saving."*
- 13% want to take advantage of state tax deductions
 - *"Looking for state tax benefit."*

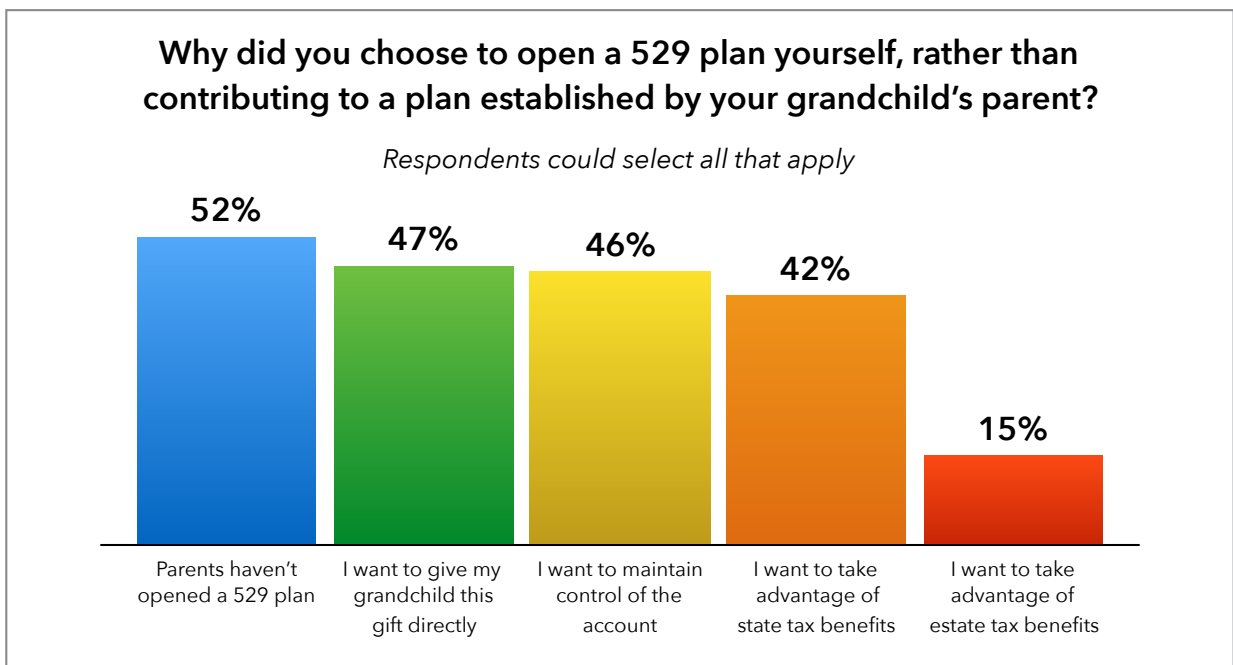
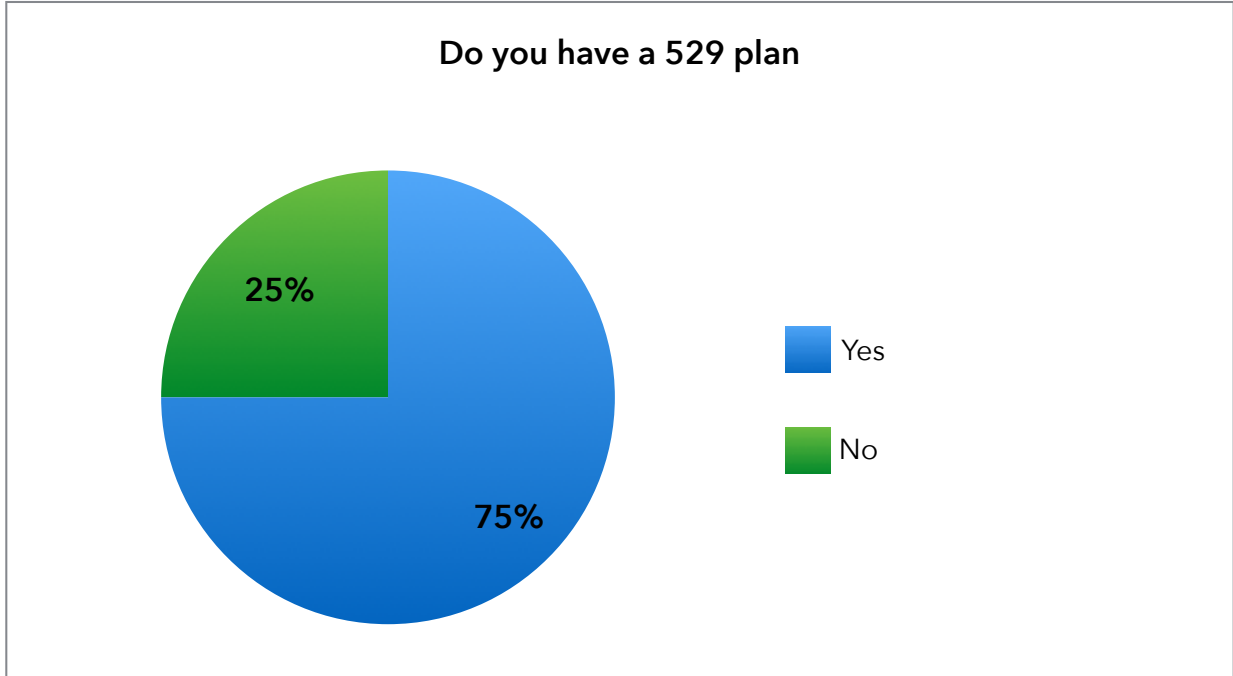
We also asked the 54 percent of parents who were planning to take longer than three months to open a plan, "Why so long?"

- The top answer, cited by 38% of respondents, was related to financial constraints:
 - *"I have to financial plan everything into my current budget."*
 - *"Need to get personal finances in order"*
 - *"Other financial obligations."*
- Another 32% cited the need to do more research and confirm that a 529 plan is the right option:
 - *"Not sure if that's a good option for me. Still weighing my options."*
 - *"Still researching."*
- 19% indicated they had other timing issues or are not in a hurry:
 - *"Getting tax advice to create a super fund."*
- 8% said they want to be are too confused about the process, or that it takes too long:
 - *"Time to fill out paperwork and get things organized."*
 - *"There are A LOT of options and every time I go to open an account, the provider throws a new wrench in the mix that confuses me even more. Then the process starts over."*
- 5% had children who were not yet born or recently born:
 - *"I'm in my first trimester of pregnancy."*

Grandparents and 529 plans

75% of the grandparents surveyed indicated they had a 529 plan for a grandchild. Of the 25% who didn't, 37% indicated they planned to open one, and another 41% were not sure yet, but were considering opening a 529 plan.

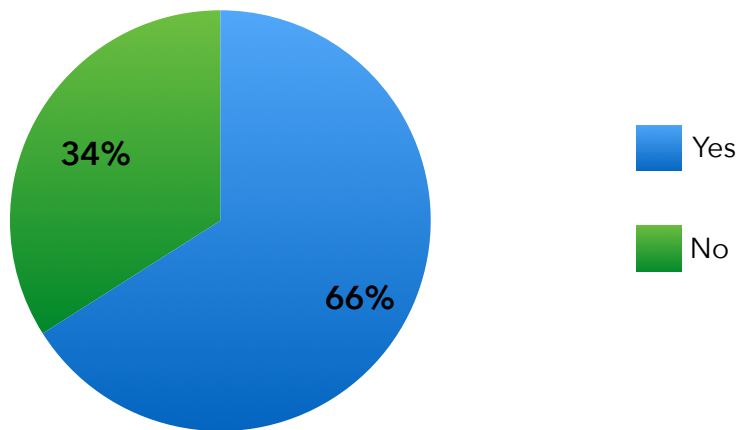
Grandparents choose to open their own 529 plans for a variety of reasons, but many are open to contributing to plans opened by the parents instead. The results indicate that families would benefit from having more open conversations about saving for college across the generations.



Among grandparents who do not have a 529 plan, but are considering opening one, maintaining control is the primary reason to open a plan rather than contribute to a parent's plan.

Would you consider contributing to a 529 account opened by your grandchild's parent, rather than opening your own account?

Respondents intended to or were considering opening a 529 plan



Why would you choose to open a 529 plan yourself, rather than contributing to a plan established by your grandchild's parent?

Respondents could select all that apply

