

HIGHLIGHTS OF FINDINGS

Sallie Mae's study, *How America Saves for College 2009*, conducted by Gallup, provides a measure of the commitment parents have to helping their children reach higher education and whether and how they are saving for the investment. Based on a nationally representative survey of parents of children under age 18, the study found that without regard to income or race or ethnicity, parents overwhelmingly expect their child to pursue higher education. Most parents also indicated that they intend to support their child financially for at least a portion of that endeavor. While six out of 10 parents have begun saving for college, a smaller percentage are on track to achieve their savings goal. Despite the ailing economy, more than half of parents are saving the same or more for college compared to the prior year.

FAMILIES OF ALL INCOMES SAVE, BUT FALL SHORT OF GOALS

Nine out of 10 parents said it was likely or highly likely their child would attend college, and not one parent said it was very unlikely. At the same time, four out of five parents with children under age 18 said they intend to pay half or more of the costs of college in the future. Fifteen percent of the parents surveyed expected to pay all of the costs. Only 5 percent of parents expected to pay nothing towards their child's college education.

A majority of parents have begun preparing financially to assist their children in making the investment in higher education:

- ▶ Six out of 10 families reported that they have begun saving for their child's college education, and despite the ailing economy, more than half (52%) of parents said they are saving the same amount or more for college compared to the same time in 2008. Among parents who save, the average amount saved annually for college each year was \$2,676 or 3.6% of annual income. Saving families reported an average total college savings of \$13,827.
- ▶ Families of low and modest incomes who are saving for college save as much or more as a percentage of income as families in higher income brackets. Saving families who earn under \$50,000 set aside 7.5 percent of their income.

- ▶ Only 29 percent of families are on track to reach their savings goal. Parents would need to save an average of 5.7 percent of income to meet their self-defined goal by the time their child goes to college.

RETIREMENT AND COLLEGE SAVINGS PRIORITIES

- ▶ Fourteen percent of parents reported saving the most for their children's college, second to 27 percent who save the most for retirement. For nearly half (46%) of parents, saving for college ranks in their top three savings priorities. African American (56%) and Hispanic (52%) parents were more likely than White parents (43%) to say that saving for their children's college is a top three priority, and they most commonly cited saving for college in their top three.
- ▶ Although the nation's personal savings rate has risen to the highest in several years, only 5 percent of families said, in relation to the same time the year before, they have increased their college savings, compared to 18 percent who have increased their general savings and 12 percent who have increased retirement savings.

WHEN AND HOW PARENTS SAVE

- ▶ Parents of children 12 and under were more likely than parents of teens to have saved. On average parents began saving when their oldest child was almost three years old. Eight out of 10 parents started saving when their child was younger than seven years old.
- ▶ Regardless of the parents' income level or child's age when parents began saving, the total amount saved for college increased steadily the longer that dedicated savings vehicles were used. Parents of any income level who had saved seven years or more accumulated two to three times the savings as parents in corresponding income levels who saved for shorter periods of time.
- ▶ Parents use a variety of methods to save for college. The top three savings vehicles were savings/money market accounts/CDs (59%), stocks or bonds (41%), and 529 college savings plans (33%).

- ▶ One-half of college savers made contributions on a regular basis through automatic (31%) or manual (19%) deposit. Another 38 percent deposited funds manually when budget allowed and the remaining 12 percent relied on family and friends to contribute on behalf of their children.
- ▶ 529 college savings plans are gaining popularity, particularly among families with younger children. Parents with children under age seven were twice as likely to turn to 529 plans (43%) as parents of teens (20%). Over half of parents not currently using a 529 college savings plan said that they are not at all familiar with 529 plans. Unlike stocks, bonds and mutual funds, 529 plans were used in nearly equal proportions by both modest savers and substantial savers.

CONFIDENCE IN ABILITY TO SAVE ENOUGH

Forty-four percent of parents who planned to pay some portion of their child's college expenses were either confident (25%) or extremely confident (19%) they could save all of their intended contribution toward college costs. Parents who had already begun saving for their child's education were significantly more confident in their ability to save for their intended contribution amount than those who had not started saving.

MOTIVATORS TO SAVING MORE

Parents cited employer matching as the top motivator (66%) that would encourage them to save for college, followed by tax benefits (44%). In addition, 25 percent indicated that a shopping rewards program would motivate them to save for college.

For the full study, please visit
www.SallieMae.com/HowAmericaSaves 