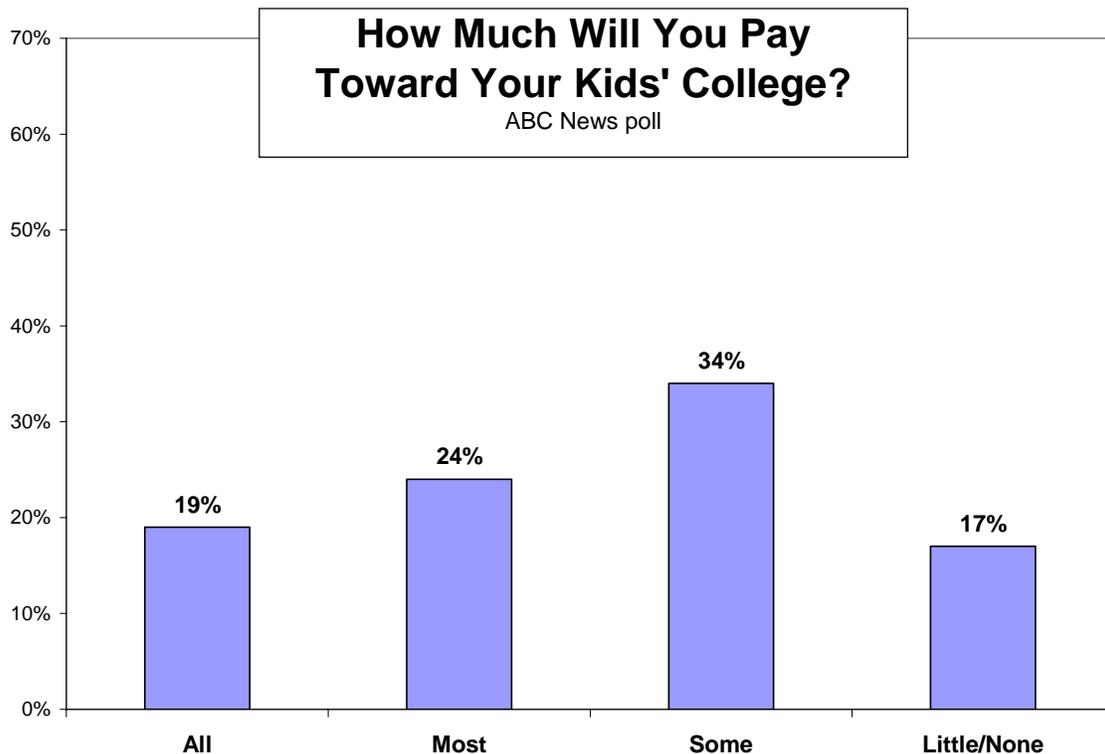


## **Saving for the Kids' College: A Cookie Jar is Not a Plan**

Americans overwhelmingly expect their kids to go to college. Figuring out how to pay for it is another matter.

Nine in 10 parents in this ABC World News Saturday/Sunday poll say it's at least somewhat likely their children will attend a four-year college. But nearly half, 48 percent, also say they're behind where they should be in terms of saving for it. Just 10 percent are ahead.

That's even though few parents plan to foot the whole bill. Just under two in 10 plan to pay all of the cost of their children's college education. About a quarter say they'll pay most of it. But just over half say they'll pay for only some of it, or less than that.

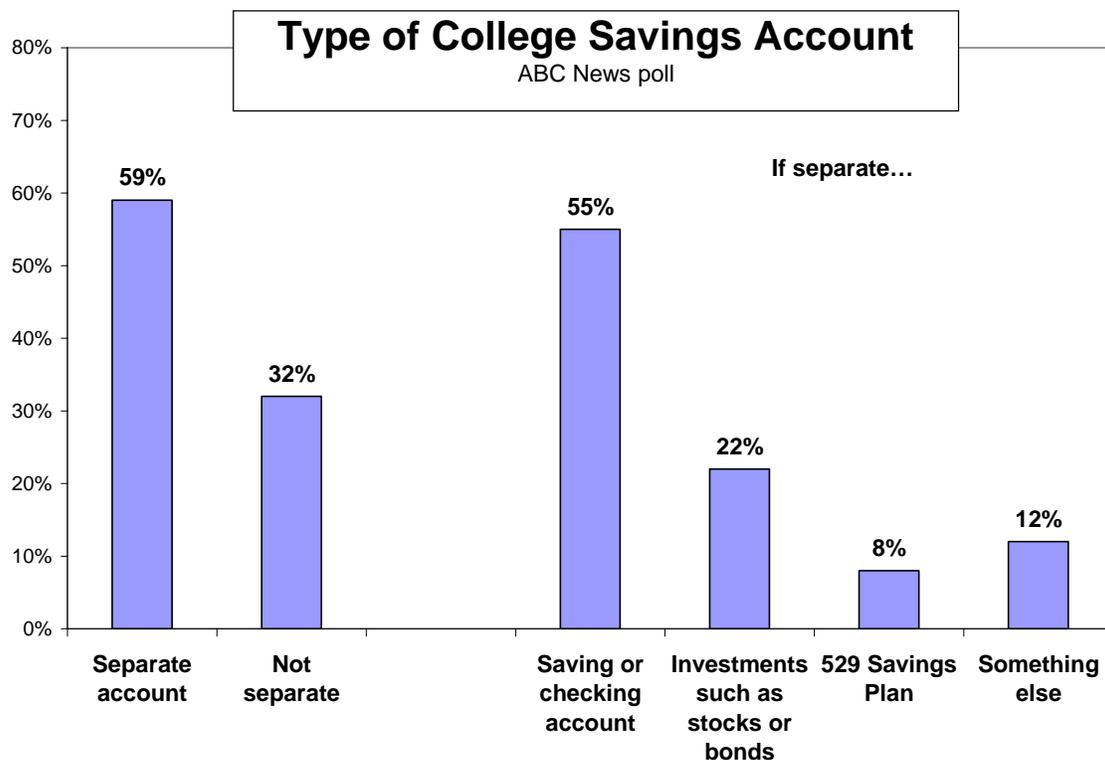


**ALTERNATIVES** – The main alternative to parent-provided funding seems to be hope: More than four in 10 say they're counting on a scholarship or grant. Two in 10 also are figuring on a student loan; as many say their kids will have to help pay from their own

savings, and/or to work their way through school. One’s counting on the “Tennessee state lottery.”

Another option – the nation’s tax-advantaged “529” college savings plans – suffers from a lack of awareness. Fewer than one in 10 parents has opened a 529 account, mainly because two-thirds haven’t even heard of them. Capital gains in these plans aren’t taxed, and in some states annual contributions can be deducted from state taxable income.

There’s other unsettling news. About a third of parents who’ve started saving for college have the money mixed in with other savings rather than in a segregated account. That can make it hard to keep the money around for its intended purpose. And 55 percent of college savers have the money in a savings or even a checking account – hardly the best choice for long-term gains.



Two in 10 are using stock or bond investments outside of 529s and eight percent are in 529 plans. That leaves 12 percent who say their savings are elsewhere – including, for one, in “a cookie jar,” and for another, in “a box under my bed.”

**SAVING AND PAYING** – Apart from unfamiliarity with 529s, parents aren’t blind to the challenges of paying for college: Eighty percent have given at least some thought to how to pay for it, though fewer, 50 percent, have given it “a lot” of thought. And nearly eight in ten are at least somewhat confident they’ll be able to save enough to help pay the bill. Again, though, far fewer – 40 percent – are “very” confident they’ll save enough.

College tuition, room and board have more than tripled in the past two decades to an average of more than \$11,000 a year for four-year public schools and \$26,000 for private schools, according to the U.S. Department of Education.

Lack of savings is balanced to some extent by the fact that more parents plan for their kids to go to a four-year college than is likely to happen. While 90 percent say its likely their kids will go to a four-year school, and 74 percent call it “very” likely, the Census Bureau reports that far fewer 2005 high school graduates – 45 percent – in fact enrolled in a four-year college. However, another 24 percent went to two-year colleges and other kinds of postsecondary schools, so there still are bills to pay. (The total who enrolled in college of any kind, 69 percent, was a record high.)

Among the parents who have started to save for college, many report some progress: Nearly a quarter say they’ve saved more than \$10,000 and nearly two in 10 have saved \$5,000 to \$10,000. Four in 10 have saved less than \$5,000.

The rest, two in 10, don’t know how much is in the kitty – not surprising for a long-term account that’s unlikely to receive continuous monitoring. (Interestingly, men are 10 points more apt than women not to know how much has been saved – indicating that more moms are watching the books.)

INCOME and EDUCATION – Income, of course, is a huge factor in college savings. Among people with more than \$75,000 in household income, a third have saved \$10,000 or more toward college. Among people with incomes under \$40,000, just 10 percent have save that much.

Have saved more than \$10,000	
Income \$75K+	34%
\$40K-\$75K	24
<\$40K	10

Higher-income parents also are more likely to have the money in 529s – but still just 17 percent do, vs just four percent of less well-off parents. People who have more money saved also are more likely to have it in 529’s – again, 17 percent of those with \$10,000 or more in the till.

Better-educated parents (education is closely associated with income) also are much more likely than other parents to be in 529s, and much less likely to keep college money in a checking or savings account (though many still do).

Income and education are factors beyond savings. People in better-off households, and those who themselves are college graduates, are the most apt to say their kids very likely will go to college, to have given a lot of thought to how to pay for it, to plan to foot all or most of the bill – and to be “very confident” they’ll ultimately be able to do so.

METHODOLOGY – This ABC News poll was conducted by telephone Jan. 26-Feb. 4, 2007, among a random national sample of 520 adults who have children under age 18. The results have a 4.5-point error margin. Field work by ICR-International Communications Research of Media, Pa.

Analysis by Peyton M. Craighill.

ABC News polls can be found at ABCNEWS.com at <http://abcnews.com/pollvault.html>.

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Full results follow (\*= less than 0.5 percent).

1. How likely do you think it is that (your child/any of your children) will attend a four-year college - very likely, somewhat likely, somewhat unlikely or very unlikely?

	-----Likely-----				-----Unlikely-----				
	NET	Def. (vol.)	Very what	Some-what	NET	Some-what	Very	Def. (vol.)	No opin.
2/4/07	90	*	74	16	7	4	3	1	2

2. How much thought have you given to how to pay for a college education for your (child/children). Have you given this a lot of thought, some, hardly any, or none so far?

	----Thought-----			-----Not Thought-----			Won't go	No
	NET	A lot	Some	NET	Hardly Any	None	(vol.)	opin.
2/4/07	80	50	30	18	7	11	*	2

3. How much money, if any, do you think you'll be able to contribute to the cost of your (child/children's) college education. Do you think you'll be able to pay for all of it, most of it, some of it, or little-or-none of it?

	--Pay All/Most---			-----Pay Less-----				Depends	No
	NET	All	Most	NET	Some	Little	None (vol,)	(vol.)	opin.
2/4/07	43	19	24	52	34	16	1	*	6

4. Apart from anything you may be able to save, what other sources of money do you think will be used to pay for your (child's/children's) college education? (ACCEPT UP TO 3 RESPONSES)

	2/4/07
Scholarship or grant	44
Student loan	22
Child's savings	13
Loan / refinance taken by parent	12
Child will work through college	9
Help from other family members/friends	8
Military scholarship	2
Other	11
No opinion	10

5. (IF MAY PAY TOWARDS COLLEGE, Q3) How do you feel about the progress, if any, that you have made so far in saving to help pay for your (child's/children's)

college education. Do you feel you are ahead, behind, or just about where you should be at this point?

	2/4/07
Ahead	10
Behind	48
Just about where you should be	35
Will not be saving for college (vol.)	*
Haven't started yet (vol.)	2
Depends which child (vol.)	*
No opinion	4

6. (IF MAY PAY TOWARDS COLLEGE, Q3) How confident are you that ultimately you will be able to save enough to help pay for your (child's/children's) college education. Are you very confident, somewhat confident, not so confident or not confident at all?

	-----Confident-----			-----Not Confident-----			No
	NET	Very	Somewhat	NET	Not so	Not at all	opin.
2/4/07	79	40	40	19	11	8	1

7. (IF SAVING FOR COLLEGE, Q5) Is the money you have saved for college mainly kept in a separate account, or is it mainly mixed in with money you have set aside for other purposes?

			Not saving	Haven't	No
	Separate	Mixed	(vol.)	started (vol.)	opin.
2/4/07	59	32	1	5	2

8. (IF SAVING FOR COLLEGE, Q7) Is the main account you are using to save for college expenses (a checking account,) (a savings account,) (investments such as stocks and bonds,) (a so-called "529" savings plan,) or something else?

	2/4/07
Checking account	8
Savings account	47
Investments such as stocks and bonds	22
A so-called "529" savings plan	8
Something else	12
No opinion	4

9. (IF NOT IN 529 PLAN, Q8) What's the main reason you're not using a "529" plan for college savings - is it because (you haven't heard of it), (it's too complicated), or (the benefits of the plan aren't good enough to make it worthwhile)?

	2/4/07
Haven't heard of it	67
Too complicated	6
Benefits not good enough	10
Not available	1
Other reason (vol.)	11
No opinion	5

10. (IF SAVING FOR COLLEGE, Q7) Confidentially and for statistical purposes only, what's the total amount of money you have saved for your (child's/children's) college education so far?

2/4/07

Less than \$1,000	17
\$1,000 to \$5,000	24
Over \$5,000 to \$10,000	18
Over \$10,000 to \$25,000	9
Over \$25,000 to \$50,000	8
Over \$50,000	5
No opinion	20