

The Next Generation: Millennial Parent Views on Saving and Paying for College

Results of the 9th Annual MEFA/Fidelity College Savings Indicator
Study
AICUM 2015 Fall Symposium

MEFA's Mission

For over 30 years, MEFA has assisted hundreds of thousands of families achieve the dream of a college education. By providing guidance and product solutions and aligned with best-in-class partners, MEFA's position in the college financing industry is unique and independent.

CSI Methodology

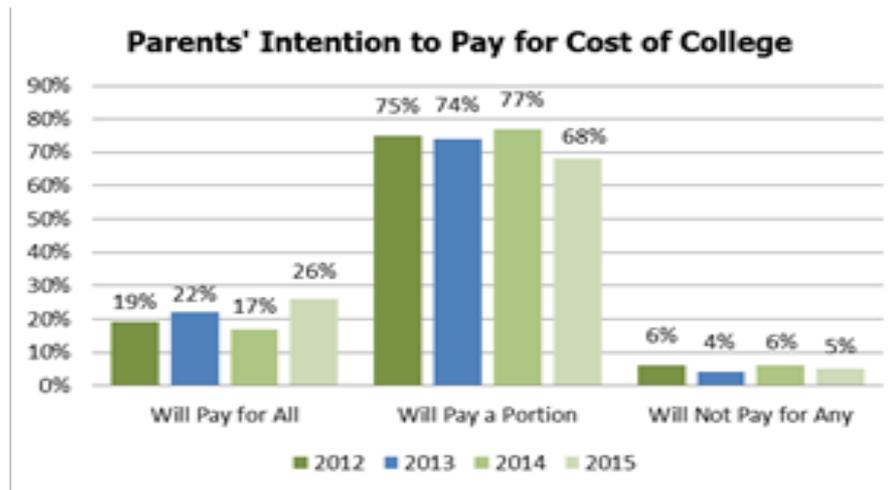
Fidelity Investments' and the Massachusetts Educational Financing Authority's (MEFA) 9th Annual College Savings Indicator study was designed to measure college savings behaviors, attitudes and expectations among families in Massachusetts with children they intend to send to college.

Boston Research Technologies, an independent research firm, conducted an online survey on behalf of Fidelity Investments from June 5 – July 6th, 2015 among a national sample of 2,470 families with children 18 and younger. All families had annual household incomes of at least \$30,000.

Massachusetts College Savings Landscape

In 2012, the CSI metric was updated to account for the fact that not all parents plan to pay 100% of their children's tuition, fees, room and board. According to the results this year, in Massachusetts:

- 26% of parents surveyed plan to pay all costs
- 68% of parents plan to pay a portion
- 5% will not pay for any of their children's college costs



Massachusetts College Savings Landscape

Massachusetts families are making college savings a priority:

- MA families report that saving for college is their No. 2 savings priority behind saving for retirement
- Massachusetts parents plan to cover 63% of the total cost of college , up from 60% reported in 2014
- 71% of respondents have started saving up from 61% in 2014
- 67% of parents are saving monthly, putting away a median amount of \$250 per month
- 53% of MA families report they have a plan in place to reach their goal

Reasons for the Increased Commitment

- **77% of parents think that having to pay off hefty student loans is a burden for recent grads and would like to help their child avoid significant debt**
- **82% believe that the amount of student loan debt their children will graduate with will hinder their ability to be financially independent post-graduation**
- **85 % believe that a college education is a minimum requirement for a decent job**
- **Parents continue to consider multiple strategies to manage rising costs**

Family Strategies for Meeting College Costs

Strategies Families are Considering to Help Manage College Costs:

 45% of parents expect their children to take online courses for credit

 39% will consider having their child live at home and commute

 36% will encourage their child to attend a public school

 15% will encourage their child to graduate in fewer semesters

 58% of parents will ask their child to work part-time while in school

Millennial Parents are Focused on Savings

Millennial parents (born 1981-1997) in MA are showing a dedication to college savings with the following savings habits:

- 68% have started saving for college
- 52% have a financial plan in place to help them reach their college goals
- Millennial parents, on average, started saving for their oldest child's college education when they were 4.6 years old
- 13% started saving for college before their child turned one year old, compared to Gen X (born 1965-1980) at 5%
- 36% report they have increased the percentage they save per month over the past year
- 35% are investing in a 529 college savings plan

Parents in Their Early 30s, Then and Now-An Evolution in Savings

- Research shows significant strides made in parents' savings efforts nationwide. Specifically parents age 30-34 (older Millennials today vs. parents of the same age in 2007) showcase this progress:

Nationwide, Parents Age 30-34 in 2007 (Born 1973-76)	Nationwide, Parents Age 30-34 in 2015 (Born 1981-85)
58% had started saving for college	74% have started saving for college
25% used a dedicated college savings account	40% use a dedicated college savings account
Had saved an median of \$1,000 in 2006	Had saved a median of \$1,500 in 2014
Reported a median of \$3,800 saved overall	Reported a median of \$5,000 saved overall
16% planned to pay for all college costs	48% plan to pay for all college costs
15% worked with a financial professional	38% work with a financial professional

The Differences Between the Generations

- **Millennial Parents plan to cover 71% of their children's college costs, compared to Gen X and Boomer parents at 59%**
- **36% of Millennial parents plan to foot the full college bill, compared to 24% of Gen X and 18% of Boomers (born 1946-1964)**
- **By the time their child is ready for college Millennial parents are on track to save 37% of their savings goal with Gen X parents at 28% and Boomers at 23%**

Why are Millennials Parents Super Savers ?

- **37% of Millennial parents graduated with student loan debt (\$ 29,000 avg.)**
- **70 % of those Millennial Parents who graduated with student debt are still paying back their loans**
- **82% agree that their own experience with student loan debt is motivating them to help their children save more for college**
- **81% of parents who are still repaying their student loan debt intend to re-allocate these dollars to their child's college saving account when finished repayment**

Millennial Parents view on College Costs & Borrowing

- 87% believe that the cost of college is becoming cost prohibitive
- 60% would not be comfortable with their child graduating with any debt
- 84% agree that student loan debt will hinder their child's ability to be financially independent post graduation
- The average amount of acceptable debt upon graduation by generation:
 - \$31,700 Gen X
 - \$24,800 Boomers
 - \$19,400 Millennial Parents

Prevailing Misconceptions

Many Massachusetts parents continue to believe these popular misconceptions related to college savings:

65% of parents believe that saving too much will significantly impact their child's eligibility for financial aid

52% of parents believe if their child receives financial aid, they do not have to pay that money back

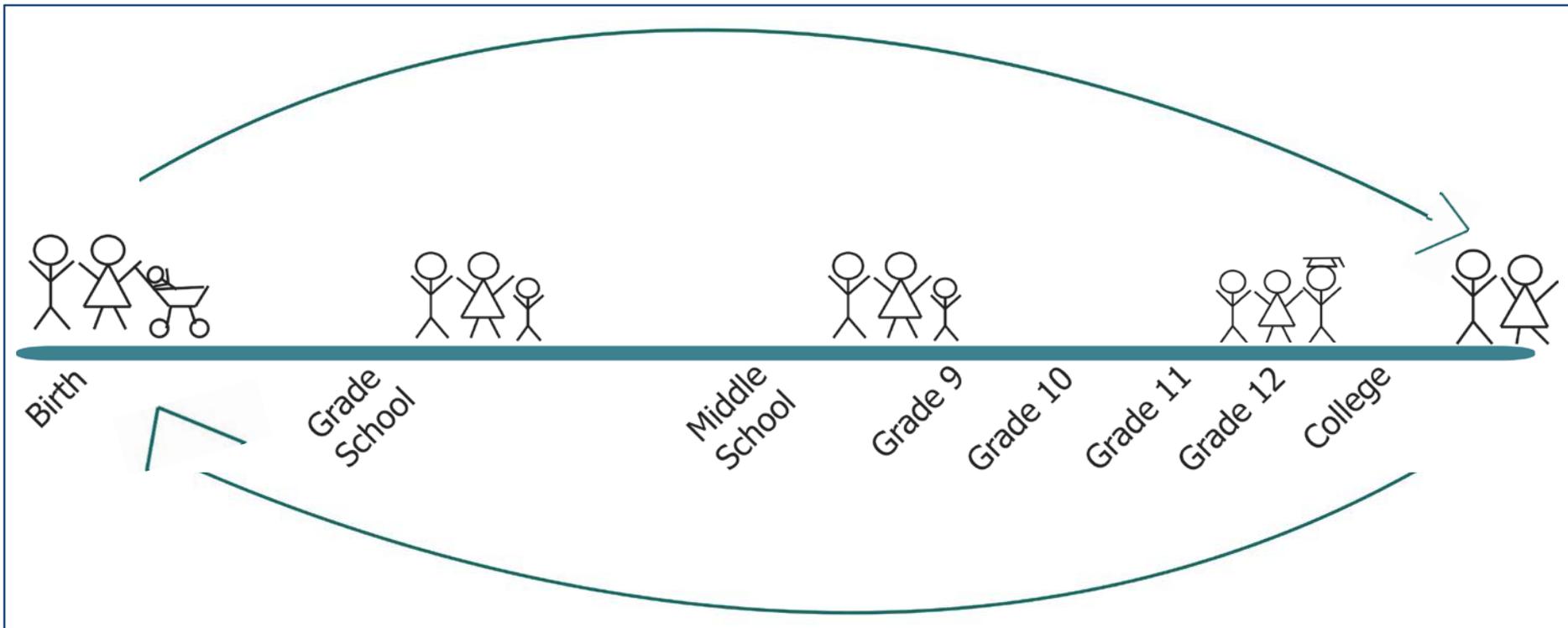
44% of parents believe that as long as they start saving for college by the time their child starts high school, they'll be OK

MEFA's Comprehensive Approach: A proven path and model

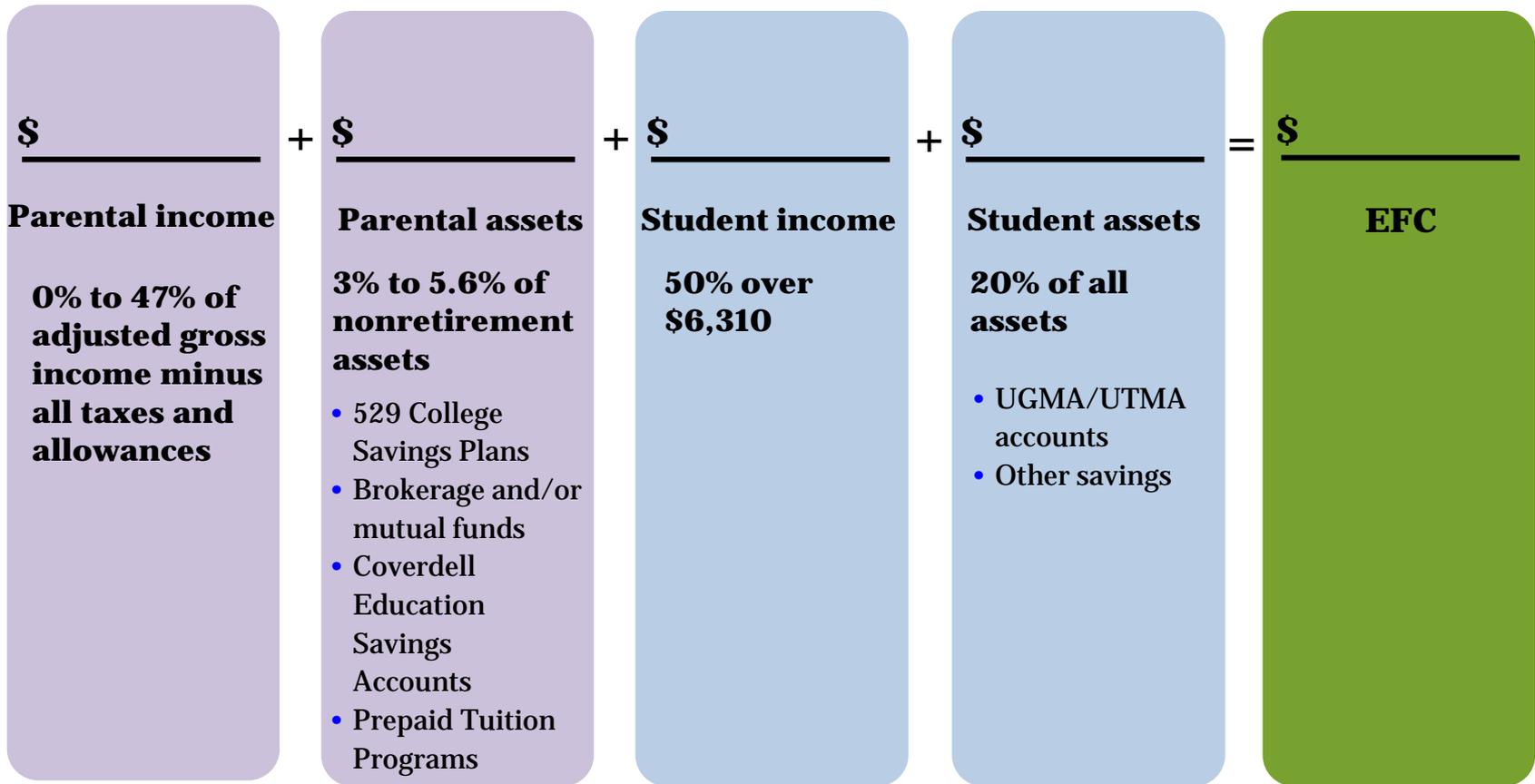
College Planning
Community Outreach
Training & Support
Product Solutions

- Helping families at every step along the way through planning, saving, and paying for college
- Extensive outreach across the Commonwealth to reach families through in-person seminars
- Year-round training to education counselors, financial aid administrators, community based organizations and other community influencers
- Solid and stable college financing product solutions

Lifecycle of Planning, Saving and Paying for College



MEFA Messaging on Saving for College : Expected Family Contribution



Source: finaid.org The EFC formula above is used for the Federal Methodology.

MEFA's Messaging: What is Financial Aid?

Undergraduate Student Aid 2013-14 (\$184.5 Billion)

Federal
Student
Loans
34%

Institutional
Grants &
Scholarships
21%

Private
Grants
6%

State
Grants
5%

Federal
Tax
Credits
8%

Federal
Work-
Study
<1%

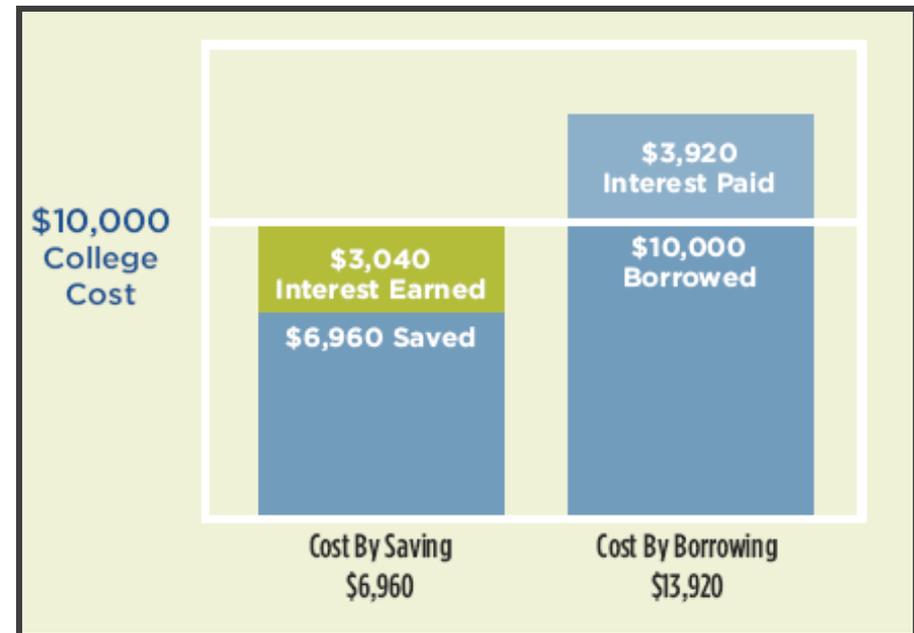
Federal
Grants
25%

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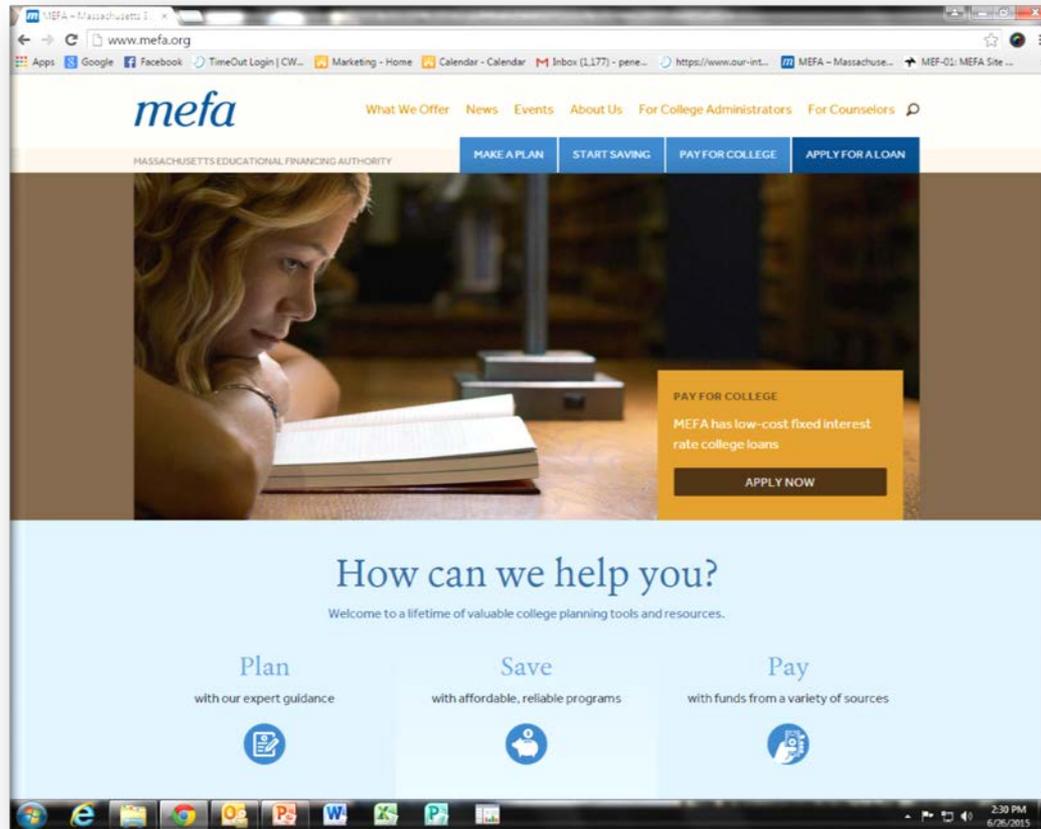
Source: The College Board, *Trends in Student Aid 2014*

MEFA's Messaging on Saving For College: Saving vs. Borrowing

- Families that maximize college savings during the 18 years prior to enrollment will effectively lower their overall cost of education by reducing the amount of education loan indebtedness



mefa.org: How can we help you?



Focused on serving Massachusetts students, families, colleges and universities

MEFA's Approach

“Most can’t save it all, and no one should borrow it all but we can all work to provide the information to empower families to achieve the college dream.”



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