

# EXECUTIVE SUMMARY OF KEY FINDINGS

## INTRODUCTION

This summary presents information from Fidelity Investments' latest College Savings Indicator study, which has been conducted since 2007. The study is designed to measure college savings behaviors, attitudes and expectations among children they intend to send to college.

Boston Research Technologies, an independent research firm, conducted the online study on behalf of Fidelity Investments from May 15 – June 15, 2018, among a national sample of 1,899 families with children 18 years old and younger who are expected to attend college. All families had annual household income of at least \$30,000.

## KEY FINDINGS

### THE 2018 CSI STUDY FINDS:

- More parents are starting to save for college before the first day of pre-school.
- Parents expect their kids to cover more for college.
- Despite these higher expectations, many parents are delaying discussions until graduation approaches.

## OVERALL

Parents plan to cover an average of **62% of the total cost of college, which is down from 70%**, the last time the survey was conducted. However, they are on track to cover a median of only **28%** of that college funding goal by the time their child reaches college age.


### FIRST, THE GOOD NEWS: THE NUMBER OF PARENTS SAVING IS STILL HIGH.


**70%** of parents have started saving



**VS. 72% in 2016 and 58% in 2007**, the first year the study was conducted

### ENCOURAGINGLY, MORE PARENTS ARE STARTING TO SAVE WHEN THEIR KIDS ARE YOUNGER.

**37%**  started when their child was **younger than two years old**  
**VS. 21% in 2016**

 This brought the average age parents started saving **to age five**  
**VS. age seven in 2016**



KEY FINDINGS CONTINUED



regularly put aside a set amount  
an **ongoing basis** and saved an  
average amount of **\$5,300 IN 2017**



of families are investing in  
**529 COLLEGE SAVINGS PLANS**

PARENTS WHO HAVE STARTED SAVING  
FOR COLLEGE HAVE AN AVERAGE OF

**\$35,300**

SAVED IN 529 PLANS  
**VS.** \$18,300 in 2016

**66% of parents would consider strategies to help generate additional income to pay for college.**

At the same time, many parents are increasing the amount of the burden they expect their kids to shoulder—but not necessarily informing their children of this.

HOWEVER

WHILE PARENTS ARE MAKING GREAT SAVINGS STRIDES FOR THEIR KIDS' COLLEGE EDUCATION...

**ONLY 29%** of parents plan to cover the  
full cost of college, **down from 43% in 2016**  
and **35% in 2015** ⚡

For parents who are **not planning on covering the full cost of college** say they expect their children to contribute **50% OF THE COST** of their college education, **up from 30% in 2016** ⬆

OF CONCERN

**56%** of parents saving for college report they have a financial plan in place to help them reach their college savings goals—**which is an all-time low and down from 66% in 2016.**

**35%** of parents whose children are at least in tenth grade have yet to speak with their child about the total cost of college among—**which is higher than 2016, when 31% had yet to have conversations.**

ADVISORS ARE HELPING FAMILIES

WITH COLLEGE FINANCIAL DISCUSSIONS



**40%** of families are working with a financial  
professional, **UP FROM 21% IN 2007**



Among families working with an advisor, **86%**  
have started saving



**57%** of families working with advisors are saving  
in 529 college plans

**Growing areas of guidance advisors can  
provide include:**

Having conversations with both parents and their  
children about college savings goals

Discussing available savings strategies, like 529 college  
plans or the accelerated gifting option



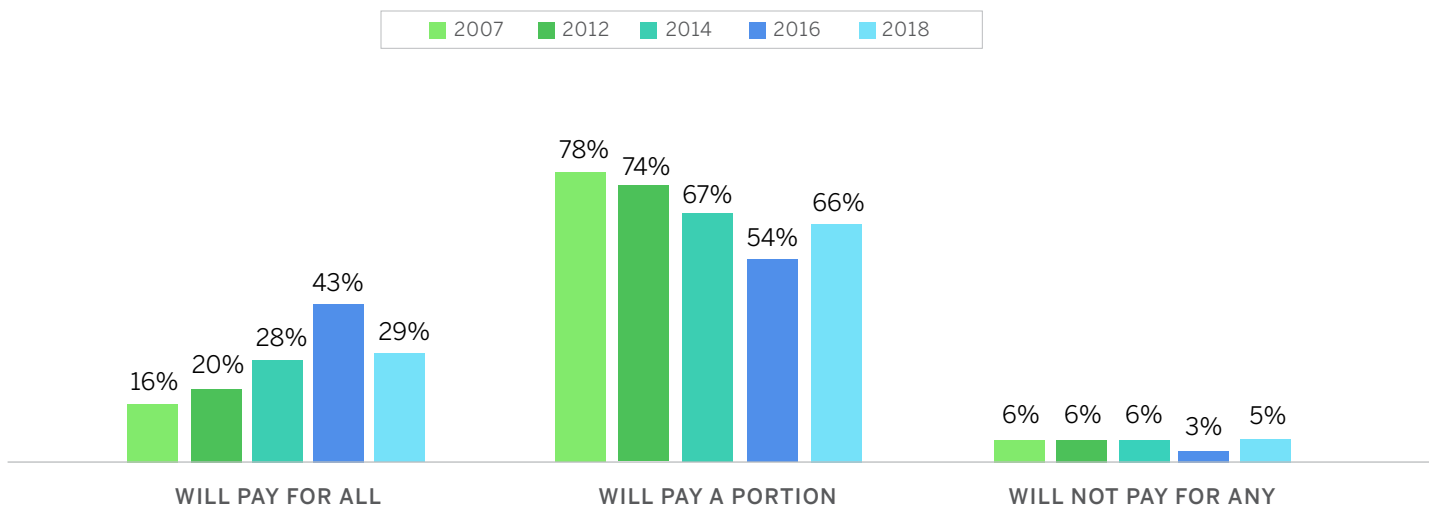
## 2018 COLLEGE SAVINGS INDICATOR:

### PARENTS ARE ON TRACK TO MEET JUST 28% OF THEIR COLLEGE SAVINGS GOALS

**Fidelity's College Savings Indicator (CSI)** is a national measure of parents' overall preparedness to pay for higher education. The Indicator represents the percentage of projected college costs that the typical American family is on track to cover, based on their current and expected savings, and their college savings goals.

For the first five years of this study (2007-2011), the CSI metric was calculated to measure how prepared the typical American family was to cover 100% of projected college costs. **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.** This year, parents' intention to pay for college costs broke down as follows:

### PARENTS' INTENTION TO PAY FOR COST OF COLLEGE



The 2018 CSI takes into account the portion of costs parents plan to pay and calculates how prepared parents are to achieve that funding goal.

On average, parents plan to pay

**62%**

the total cost of college

Parents are on track to save

**28%**

of their college funding goal

VS

Parents planned to pay

**70%**

the total cost of college in 2016

Parents were on track to save

**24%**

of their college funding goal in 2016



To make up the difference, they will rely on contributions from their children, grants, scholarships, student loans, gifts from grandparents, and other sources.

Based on the **average funding goal of 62% for parents in 2018**, this results in a CSI score of 28% – meaning that overall, the typical American family that plans to cover **62% of college costs** (including tuition, fees, room and board) is on track to reach only **28% of that funding goal** by the time their child is ready to enter college.

The 2018 CSI score of 28% is up from 2016 (24%).

### THE GOOD NEWS:

more parents are starting to save earlier and showing positive savings gains, as detailed throughout this report

## FAMILIES MAKE COLLEGE SAVINGS A PRIORITY

PARENTS REPORT THAT SAVING FOR COLLEGE IS THEIR NO. 2 SAVINGS PRIORITY, BEHIND SAVING FOR RETIREMENT.

SAVINGS PRIORITY	NAMED #1 SAVINGS PRIORITY	AMONG TOP 3 SAVINGS PRIORITIES
Retirement	31%	74%
College	20%	69%
Emergency Fund	14%	47%
House / Mortgage	15%	44%
Pay Off Credit Card Debt	12%	28%



## HOWEVER

The percentage of families saving for college is slightly lower than 2016



FROM

**72%**  
in 2016,  
but...



FROM

**58%**

in 2007 when the study  
was first conducted

Parents report saving a median of

**\$3,000**

FOR THEIR CHILDREN'S COLLEGE EDUCATION  
LAST YEAR **VS.** \$1,500 in 2007

**73% OF PARENTS**

saved a total of **\$1,000**  
or more in 2017

**VS. 59% IN 2007**

**38% OF PARENTS**

saved a total of **\$5,000**  
or more in 2017

**VS. 22% IN 2007**

On average, parents report their child was **5 years old** when they started to save for their college. Encouragingly, parents are starting to save when their kids are younger.

**37%**  
**IN 2018**

Started when their  
child was **younger**  
than 2 years old

—VS—

**21%**  
**IN 2016**



The total amount parents have saved for college is at an all-time high

GRADE RANGE BY GRADE OF ELDEST CHILD	AVERAGE AMOUNT SAVED TO DATE	MEDIAN AMOUNT SAVED IN 2017
0 - Pre-School	\$10,900	\$1,000
Elementary School	\$47,900	\$2,000
Middle School	\$35,600	\$3,500
High School	\$56,800	\$3,500
Total Population	\$47,800	\$3,000

## COMMITMENT TO COLLEGE REMAINS STRONG

PARENTS CONTINUE TO VALUE COLLEGE, DESPITE FACT THAT CONCERNS OVER RISING COSTS HAVE GROWN

**65%** of parents said concerns about taking on significant student loan debt is motivating them to save toward their child's future college costs

**58%** of parents felt their children might have to narrow their college choices due to the cost of college, up from 55% in 2016

Many cite their own experiences with student loan debt as influencing their commitment to help pay for college.

**84%** of parents who graduated with debt agree their own student loan debt is motivating them to help their kids save more for college

**90%** believe having to pay off hefty student loans is a burden for recent graduates, an increase from 2016, when 76% felt that way

**86%** of parents said they are better educated about finances having dealt with their own student loan debt



## PARENTS WHO PLAN TAKE MORE STEPS:

### ACTION LEADS TO GREATER CONFIDENCE WHEN SAVING FOR COLLEGE

Surprisingly, only 56% of parents saving for college report they have a financial plan in place to help them reach their college savings goals, which is down from the 66% who reported this in 2016. This is of concern because **those with a plan in place tend to be more active in the college saving and planning process.**

	HAVE A PLAN	DO NOT HAVE A PLAN
Have <b>started saving</b> toward college	94%	45%
<b>Average amount saved</b> towards college	\$49,700	\$23,700
Feel they <b>are on target</b> to meet college savings goal	48%	19%
Median <b>amount saved</b> per year	\$3,000	\$1,500
<b>Own a 529</b> college savings plan	59%	16%
Have started <b>talking to their children</b> about how the family will pay for college	77%	53%

## 529 COLLEGE SAVINGS PLAN PARTICIPANTS REPORT

### ALL-TIME HIGH SAVINGS LEVELS

Parents who started saving in 529 plans average **\$35,300** versus **\$18,300** in 2016. In addition, the study uncovered the following:



**40% OF PARENTS REPORT THEY ARE USING A DEDICATED COLLEGE SAVINGS ACCOUNT VS. 42% IN 2016**



**39% OF PARENTS REPORT OWNING A 529 COLLEGE SAVINGS PLAN VS. 41% IN 2016**



82%

of 529 account owners have a financial plan in place to meet their college savings goals

VS

39%

who do not own a 529

529 plan owners have saved an average of

\$53,500

VS

\$41,200

who do not own a 529

The percentage of parents who say they are very familiar with 529 plans **continues to rise.**

35%

VS

30%

IN 2016



7 in 10 PARENTS (69%) ARE **UNAWARE OF THIS CHANGE**



30% INDICATE IT **WILL NOT ENCOURAGE THEM TO OPEN A 529**. 49 PERCENT SAY THEY WEREN'T SURE.



41% WITH A 529 (OR PLAN TO OPEN ONE) SAY IT **WILL NOT BE USED FOR K-12 TUITION**, WHILE AN ADDITIONAL ONE IN FOUR DON'T KNOW.

## LESSONS LEARNED

### PARENTS WITH KIDS APPROACHING COLLEGE SHARE "WHAT I WISH I KNEW" ABOUT SAVING FOR COLLEGE

For the 2018 CSI Study, parents were asked for their **top pieces of advice to give to parents whose children are looking to attend college**. Top answers include:

46%

Save as early as possible for college

28%

Open a dedicated college savings account as soon as a child is born

26%

Treat saving for college like paying a bill to myself

24%

Make automatic monthly deposits into a dedicated college savings account

23%

Take the time to research the financial aid process

22%

Prioritize college savings over impulse purchases over time





STRATEGIES TO MANAGE COSTS AND GENERATE ADDITIONAL INCOME

In general, **strategies to help manage costs and generate additional income** to help pay for college were **on the decline**.

In the 2018 study, **81% of parents say they are considering strategies to manage costs**, compared to 88% percent who said this in 2016—although to put things in proper context, **this is up from 72% in 2007**.

AMONG THE STRATEGIES BEING CONSIDERED:

Delay the start of school for a year or more to save

**6%** (13% IN 2016)

Graduate in fewer semesters

**17%** (23% IN 2016)

Take an online course for credit

**26%** (57% IN 2016)

Take on a second job

**12%** (18% IN 2016)

Have child work part-time during college

**52%** (51% IN 2016)

Live at home and commute

**38%** (45% IN 2016)

**40% of parents plan to utilize student loans to help pay for the cost of college**, which is up from 36% in 2016. Parents did, however, indicate **they would also consider the following savings strategies** to help pay for their child’s education:

**43%** Automatic contributions toward a dedicated college savings plan

**37%** Cash back/rewards credit card

**20%** Ask family and friends to give cash contributions toward college in lieu of traditional birthday or holiday gifts

TIME FOR A TUTOR

Parents who do not use a financial advisor say that even so, **they wish they had some help or more information about the following areas:**

The tax benefits of 529 plans

**26%**

Strategies for **efficient college savings**

**24%**

The **financial aid** process

**23%**



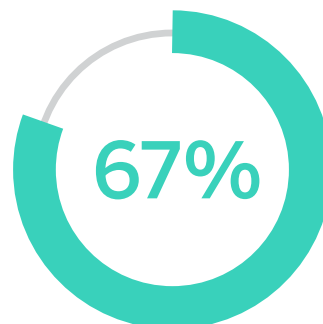
## ADVISORS CREATE CLEAR SAVINGS PLANS FOR PARENTS

2018 College Savings Indicator for **Families Working with Advisors**

**40%** OF PARENTS

work with financial advisors to help make financial decisions

vs. **21%** IN 2007



of total cost of college families working with advisors plan cover, on average

AND CONSEQUENTLY, **64% OF THESE PARENTS BELIEVE THEY ARE CLOSER TO ACHIEVING THEIR COLLEGE SAVINGS GOAL.**

Parents working with an advisor tend to be better prepared to pay for higher education than the average family:

WITH AN  
ADVISOR

WITHOUT  
AN ADVISOR

Have a **plan in place** to reach their college funding goal

**76%**

**43%**

**Best accounts** for college savings

**67%**

**40%**

How much to **save per month**

**67%**

**40%**

Where to go for advice

**70%**

**39%**



## COLLEGE SAVINGS BEHAVIOR OF FAMILIES WORKING WITH ADVISORS

In 2018, those working with financial advisors are showing a **stronger position and confidence toward their college savings** compared to those who are not working with a financial professional.

	HAVE ADVISOR	NO ADVISOR	ALL PARENTS
Having Started Saving Toward College	86%	59%	70%
Average Amount Saved Toward College	\$60,000	\$36,200	\$47,800
Have a Plan in Place to Reach Their College Savings Goals	76%	43%	56%
Plan to Use a Dedicated College Savings Account to Finance Children's College Education	43%	33%	37%
Own a 529 College Savings Plan	57%	27%	39%
Have Had Conversations with Older Children About the Total Cost of College	75%	58%	65%

## POTENTIAL FOR ADVISORS TO ENCOURAGE FAMILY CONVERSATIONS

Although almost all parents (95%), regardless of their affiliation with a financial advisor, intend to fund at least a portion of their children's college education, advisors may help identify additional sources of funding, such as grandparents and other family members. Advisors can also be helpful in having discussions about college savings goals with both parents and their children.

62%

Of parents working with an advisor agree **family contributions** will play an important role in funding their child's education

23%

Would **consider asking family and friends to contribute** to children's college in lieu of traditional gifts

\$1,000

Is the median amount advisor families who **receive gifts from grandparents receive per year** towards their children's college savings.

36%

Said their advisor **did not meet with their child about college finances**



## APPENDIX: RESPONDENT PROFILE

**80%** of respondents are **married couples**

**64%** have **at least 2 children**

**76%** of parents **graduated** from college

**91%** of parents completed at least **some college coursework**

### AVERAGES



Average  
household income



Children in  
household

### AGES OF CHILDREN

**29%**

< 6 years old

**31%**

6-9 years old

**29%**

10-12 years old

**62%**

13-18 years old

**17%**

19+ years old

## APPENDIX: INDICATOR CALCULATION

The College Savings Indicator was calculated by **Fidelity Personal and Workplace Advisors LLC** in collaboration with **Fidelity Investments Research and Analysis**.

As part of the study, Fidelity conducted a survey of parents with college-bound children of all ages. Parents provided data on their current and projected household asset levels including college savings, use of an investment advisor and general expectations and attitudes toward financing their children's college education. Using Fidelity's proprietary asset-liability modeling engine, the company was able to calculate future college savings levels per household against anticipated college costs. The results provided insight into the financial challenges parents face in saving for college. **Data for the Indicator (number of children in household, time to matriculation, school type, current savings and expected future contributions) are collected by Boston Research Technologies, an independent research firm, through an online survey of 1,899 parents nationwide with children aged 18 and younger who are expected to attend college, who have household incomes of \$30,000 a year or more, and who are the financial decision makers in their household.** Survey data is weighted to correct for any imbalances in sample profiles after data collection. College costs are sourced from the College Board's Trends in College Pricing 2017. Future assets per household are computed by Fidelity Personal and Workplace Advisors LLC (FPWA), a registered investment adviser and a Fidelity Investments company. Within Fidelity's asset-liability model, Monte Carlo simulations are used to estimate future assets at a 75 percent confidence level. The results of the Fidelity College Savings Indicator may not be representative of all parents and students meeting the same criteria as those surveyed for this study.



Since 2007, Fidelity has calculated the College Savings Indicator to show how prepared the typical American family is to cover all 100% of projected college costs. (In 2012, this metric was updated to take into account the portion of total college costs families intend to pay, if not the full 100%.)

## COLLEGE COSTS

The growth time horizon until college expenses commence was determined using each child's age and the time span until they turn age 18. The child's actual grade was not taken into account.

The type of education institution and intended years of attendance, as indicated by the respondent, were factored into the Cost of Attendance estimates. If respondents were unsure of either, then median costs across education institutions and intended years of attendance served as proxies.

An inflation rate of 5.0% was used to determine college costs in the future

## COLLEGE SAVINGS

Variables for current savings, expected future contributions and expected annual gifts were used to determine the future value of total savings.

Growth of contributions was based on respondent-provided data and an assumed wage growth rate (1.5% merit increase over a general inflation of 2.5%) annually.

Savings and contributions are split into equal segments among the total number of pre-college aged children.

During the time period that a child is attending college the balance of that child's savings is assumed to be put into a cash account and continues to grow.

Growth of assets was computed using a stochastic 75% confidence level and the asset mix defining each respondent's estimate of the percentage of assets held in stocks or stock mutual funds.

## READINESS INDICATOR

To compute the Readiness Indicator per respondent, Financial Solutions determined each child's coverage for their anticipated expenses.

The Readiness Indicator for each child equals the total estimated assets accumulated for the child divided by the total expected cost of college for the child that the parent plans to cover.

The Indicator was then averaged among all children mentioned by the respondent and who meet the inclusion criteria based on their current age.

All households were capped at 100% readiness.

The median was then found for the cohort of all participating respondents.



The results of Fidelity's 2018 College Savings Indicator Study may not be representative of all parents meeting the same criteria as those surveyed for this study.

**Units of the portfolios are municipal securities and may be subject to market volatility and fluctuation.**

**If you or the designated beneficiary are not a resident of the state sponsoring the 529 college savings plan, you may want to consider, before investing, whether your home state or the designated beneficiary's home state offers its residents a plan with alternate state tax advantages or other benefits.**

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