



10TH ANNUAL COLLEGE SAVINGS INDICATOR

EXECUTIVE SUMMARY OF KEY FINDINGS

INTRODUCTION

This summary presents key findings from Fidelity Investments' 10th Annual College Savings Indicator Study. The study was designed to measure college savings behaviors, attitudes and expectations among parents with 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 13 – June 12, 2016, among a national sample of 2,196 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: 10th edition of CSI Study finds more families saving and investing in 529 plans; but parents recognize need to step up savings to reach their college goals

- Overall, parents plan to cover **70%** of the total cost of college, up from 66% reported in 2015. However, they are on track to cover only **29%** of that college funding goal by the time their child reaches college age.
- The good news is that the number of parents saving and planning is at an all-time high:
 - **72%** of parents have started saving, compared to just 69% last year and 58% in 2007, the first year of the study
 - **73%** of parents are saving monthly, putting away a median amount of **\$300** per month
 - **66%** of parents saving for college report they have a financial plan in place to help them reach their college savings goals
 - **41%** of families are investing in 529 college savings plans, **91%** of whom have either increased their savings or continued to save at the same rate over the past 12 months
 - **75%** of parents are considering strategies to help generate additional income to pay for college
- Many parents recognize opportunities to save earlier and seek out additional guidance
 - **52%** of parents with children in 10th grade+ say that, thinking back over the past 10 years, they could have saved more each month, with a median amount of \$200 per month
 - **69%** wish there were more specific guidelines on how much to save
 - **47%** of parents say they need more information on how to invest their college savings
- Advisors are helping more families with college financial discussions
 - **41%** of families are working with a financial professional, up from 21% back in 2007
 - Among families working with an advisor, **91%** have started saving and **61%** are investing in 529 college savings plans
 - Helping families engage grandparents and other family members in college planning, maximizing investment strategy and understanding efficient 529 withdrawals are growing areas of guidance advisors can provide



2016 COLLEGE SAVINGS INDICATOR:

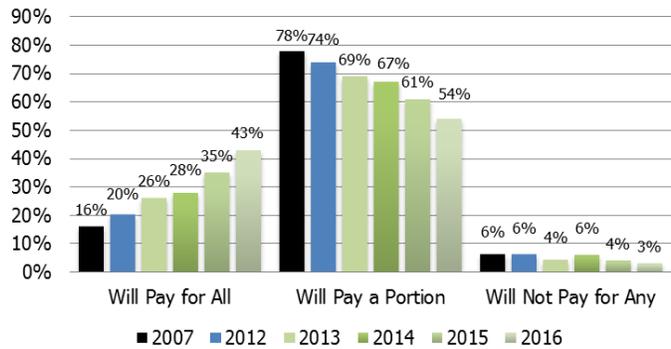
Parents are on track to meet just 29% of their college savings goals

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:

- **43% of parents surveyed plan to pay all costs**, a percentage which has continued to rise over the last decade
- **54% plan to pay a portion**
- **3% will not pay any of their children’s college costs**

Parents' Intention to Pay for Cost of College

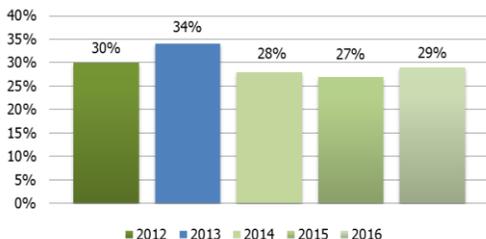


The 2016 CSI takes into account the portion of costs parents plan to pay and calculates how prepared parents are to achieve that funding goal.

2016 CSI:
Parents are on track to save 29% of their college funding goal

- Results showed that, on average, parents plan to pay **70%** of the total cost of college, up from 66% last year 64% in 2014, 62% in 2013 and 57% in 2012. They will rely on contributions from their children, grants, scholarships, student loans, gifts from grandparents, and other sources to make up the difference.
- Based on the average funding goal of **70%** for parents in 2016, this results in a CSI score of **29%** – meaning that overall, the typical American family who plans to cover **70%** of college costs (including tuition, fees, room and board) is on track to reach only **29%** of that funding goal by the time their child is ready to enter college.

College Savings Indicator Over the Past Five Years



- The 2016 CSI score is up slightly from last year (27%), even with parents’ intentions to fund the highest ever amount of college costs (70%), and the largest percentage (43%) of parents planning to cover the full cost of college.
- The good news is that more parents than ever are saving, and showing positive savings practices, detailed throughout this report.



**FAMILIES MAKE COLLEGE SAVING A PRIORITY:
Saving, Planning and Utilizing 529 College Savings Plans at an All-Time High**

Parents report that saving for college is their No. 2 savings priority, behind saving for retirement. Top savings priorities reported:

Savings Priority	Named #1 Savings Priority	Named Among Top 3 Savings Priorities
1. Retirement	27%	64%
2. College	21%	59%
3. Emergency Fund	17%	54%
4. House / Mortgage	13%	41%
5. Pay off credit card debt	13%	35%
6. Future health care	6%	32%
7. Pay off own student loans	3%	15%

The percentage of families saving for college is at an all-time high, with 72% of respondents reporting they have started saving (up from 69% last year, and up from 58% when the study was first conducted in 2007).

- Parents report saving a median of \$3,000 last year for their children’s college education, compared to 2007, when parents reported saving a median of \$1,500 over the previous year
 - 72% of parents saved a total of \$1,000 or more last year (in 2015), compared to 59% of parents who reported saving \$1,000 or more in 2007
 - 40% of parents saved a total of \$5,000 or more in 2015, compared to 22% of parents who reported saving \$5,000 or more in 2007
- 73% of the respondents say they are saving monthly, putting away a median amount of \$300 per month
- On average, parents report that their child was 6.9 years old when they started to save for their college
- The amounts parents saved for college (by age of child):

Age Group	Average Amount Parents Report Having Saved to Date	Median Amount Saved in 2015
0-5	\$20,700	\$2,000
6-13	\$39,300	\$3,000
14-18	\$52,300	\$3,000
Total Population	\$41,500	\$3,000



COMMITMENT TO COLLEGE REMAINS STRONG: Parents Continue to Value College, Concerns Over Rising Costs Have Grown

- 83% of parents believe that a college education is a minimum requirement for a decent job, an attitude that has stayed consistent since Fidelity’s 2007 study (81%)
- 67% of parents are concerned that their child may have to make compromises in their education because of money, while 53% shared this concern in 2007

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 that their own student loan debt is motivating them to help their kids save more for college
- 76% believe that the amount of student loan debt their children will graduate with will hinder their ability to be financially independent post-graduation



PARENTS WITH A PLAN TAKE MORE STEPS: Action Leads to More Confidence When Saving for College

Sixty-six percent of parents saving for college report they have a financial plan in place to help them reach their college savings goals, up from 62% who reported this in 2015. Those with a plan in place tend to be more active in the college saving and planning process:

	Have a Plan	No Plan
Have started saving toward college	92%	40%
Average amount saved towards college	\$46,800	\$19,000
Feel they are on target to meet college savings goal	57%	26%
Median amount saved monthly	\$300	\$200
Own a 529 college savings plan	57%	14%
Have started talking to their children about how the family will pay for college	68%	42%

529 College Savings Plan Use Continues to Rise

Among parents saving for college, 42% report they are using a dedicated college savings account, compared to only 26% of parents who reported using one back in 2007. Ninety-t percent of parents saving in a dedicated account believe that doing so helps keep them on track to reach their college savings goals.

This year, 41% of parents overall report owning a 529 plan, up from 39% last year.

- 88% of 529 account owners have a financial plan in place to meet their college savings goals compared to only 49% of those who do not own a 529
- 529 plan owners have saved an average of \$47,000 for college, vs. an average of \$35,100 saved by families without a 529 plan
- 91% of parents with 529 plans say that they have either increased or kept their regular/monthly contributions to their 529 the same in the last 12 months
- While the percentage of parents who say they are very or somewhat familiar with 529 plans continues to rise (61%, compared to 58% last year), 19% still say they've never heard of 529s



LESSONS LEARNED: Parents With Kids Approaching College Share “What I Wish I Knew” About Saving for College

For the 2016 CSI Study, parents with kids in 10th grade and higher were asked what they wish they had done 10 years earlier to help better prepare for college costs. Top answers include:

- Opened a 529 college savings account earlier (24%)
- Treated saving for college like paying a bill to myself (24%)
- Made automatic monthly deposits into a dedicated college savings account (21%)
- Increased my savings by 1% or more each year (21%)
- Prioritized college savings over impulse purchases over time (17%)
- Met with a financial professional to create a plan (11%)
- Paid more attention to my investment choices (11%)
- Asked friends and family to gift/contribute to my child’s college savings account (7%)
- Opened a cash back credit card, with rewards saved to a dedicated college account (6%)
- Created an annual reminder to make a lump sum contribution (5%)

In addition, 52% of parents with kids in 10th grade and higher said that thinking back over the last 10 years, they could have saved more each month toward college:

- 50% said they could have saved \$50 or more
- 45% said they could have saved \$100 or more
- 35% said they could have saved \$150 or more
- 26% said they could have saved \$250 or more

Overall, among those who said they could have saved more, parents said they could have saved a median of \$200 more each month.

These extra dollars, if invested early and given time to grow, could yield significant savings. For example¹:

Increased Savings per Month	Potential Accumulation Over 10 Years*	Potential Accumulation Over 18 Years*
\$50 more	\$8,194	\$19,368
\$100 more	\$16,388	\$38,735
\$200 more	\$32,776	\$77,471

** Assumes a 6% annual investment rate of return.
Your own account may earn more or less than this hypothetical example.*

Strategies to Manage Costs and Generate Additional Income

Over the last ten editions of this research, Fidelity has seen an uptick in families considering opportunities to manage costs and generate more income to help pay for college.

In the 2016 study, 71% of parents say they are considering strategies to manage costs, compared to 53% who said this in 2007. Among these strategies:

- Delay the start of school for a year or more to save: 13%, up from 3% in 2007
- Graduate in fewer semesters: 23%, up from 13% in 2007
- Encourage children to consider public school: 40%, up from 34% in 2007
- Live at home and commute: 45%, up from 38% in 2007

Seventy-five percent of parents are considering strategies for generating additional income to pay for college, compared to 62% who found this necessary in 2007:

- Take on a second job: 18%, up from 11% in 2007
- Have non-working spouse return to work: 16%, up from 11% in 2007
- Have child work part-time during college: 51%, up only slightly from 49% in 2007
- Ask child to put aside some of their own earning to help pay: 37%, which is consistent with 36% in 2007

¹ Savings estimates derived using [Fidelity's College Savings Quick Check Calculator](#)



TIME FOR A TUTOR: Guidance Needed to Better Educate Parents About College Issues

- Nearly half of parents report that they'd like additional education when it comes to how to best save for college, saying they either don't know about or need more information on the following:
 - The best accounts to save for college: 45%
 - How to invest college savings: 47%
 - Where to go for advice about saving for college: 46%
 - How much to save monthly: 44%
- Most (69%) say they wish there were more specific recommendations / guidelines on how much they should be saving for college.
- Many parents continue to be plagued with misconceptions related to college savings. Notable areas of confusion:
 - 56% of parents believe that saving too much will significantly impact their child's eligibility for financial aid
 - 61% of parents believe if their child receives financial aid, they do not have to pay that money back
 - 56% of parents believe that as long as they start saving for college by the time their child starts high school, they'll be OK
 - 26% of parents who have not yet started to save, believe it's too early



ADVISORS CREATING CLEAR SAVINGS PLANS FOR PARENTS

2016 College Savings Indicator for Families Working with Advisors

An all-time high (41%) of parents surveyed are turning to financial advisors to help them with their college savings decisions. This is nearly double the amount of parents in 2007, when 21% of parents were turning to financial advisors for guidance.

Results showed that, on average, families working with advisors plan to cover 80% of the total cost of college. Parents working with an advisor tend to be better prepared to pay for higher education than the average family:

- Among families working with a financial advisor and intend to help pay for college, 85% have a plan in place to reach their college funding goal, significantly higher than only 52% of those who do not use a financial professional

- While about half the total population are unclear on how best to save for college, those households using advisors are significantly more prepared, with most saying they have a good understanding of the following:
 - Best accounts for college savings: 73% vs. 42% for non-advisor households
 - How to invest their college savings: 74% vs. 38% for non-advisor households
 - Where to go for advice: 73% vs. 41% non-advisor households

College Savings Behavior of Families Working with Advisors

A larger proportion of parents who work with advisors have started saving for college expenses (91%), well ahead of the 59% of families who do not work with advisors.

Sixty-one percent of families using advisors invest in a tax-advantaged 529 college savings account, vs. 27% of families that do not use advisors.

In 2016, 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
Have started saving toward college	91%	59%	72%
Amount saved toward college	\$48,300	\$34,400	\$41,500
Have a plan in place to reach their college savings goal	85%	52%	66%
Plan to use a dedicated college savings account to finance children's college education	43%	29%	35%
Own a 529 college savings plan	61%	27%	41%
Have had conversations with older children about the total cost of college	79%	63%	69%

Families are looking to financial professionals for help on a wide range of strategies for paying for college:

- Tax benefits of 529 plans (31%)
- Strategies for efficient withdrawals of college savings (39%)
- The financial aid / grant process (38%)
- Strategies for efficient college savings (32%)
- Children's anticipated salary prospects after graduation (34%)

Having financial professionals counsel them on the above strategies, families may be able to increase the amount they put away each month for their children's education and their total savings over time.

Potential for Advisors to Encourage Family Conversations

Although almost all parents (97%), 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.

- 70% of parents working with an advisor agree family contributions will play an important role in funding their child's education, but only 39% have asked family and friends to contribute to children's college in lieu of traditional gifts
- Among families working with an advisor, 28% of grandparents have asked how they can help contribute to paying for college. There is, however, an equal number (28%) who don't currently play a role in planning and saving at all.

APPENDIX: Respondent Profile

The profile of families surveyed is as follows:

- 86% of respondents are married couples
- Average household income is \$97,700
- Average of 2 children in household; 68% have at least two children
- Ages of children:
 - 35% have children under 6 years old
 - 33% 6-9
 - 26% 10-12
 - 56% 13-18
 - 10% 19-22
 - 6% 23+
- More than seven-in-ten (71%) parents surveyed graduated from college and 90% completed at least some college coursework

APPENDIX: Indicator Calculation

The College Savings Indicator was calculated by Strategic Advisers, Inc. 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 2,196 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 2015. Future assets per household are computed by Strategic Advisers, Inc. (a registered investment adviser and wholly owned subsidiary of FMR LLC). 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. The median cost was used when respondents indicated that their child would attend a vocational-technical school.

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.

Contributions growth 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, SAI 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.

Guidance provided by Fidelity is educational in nature, is not individualized and is not intended to serve as the primary or sole basis for your investment or tax-planning decisions.

The results of Fidelity's 10th Annual 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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