7TH ANNUAL COLLEGE SAVINGS INDICATOR
EXECUTIVE SUMMARY OF KEY FINDINGS

INTRODUCTION

This Executive Summary presents key findings from Fidelity Investments' 7th Annual College Savings Indicator study. The study was designed to measure college savings behaviors, attitudes and expectations among families with children they intend to send to college.

Research Data Technology, an independent research firm, conducted the online study on behalf of Fidelity Investments from June 5 – June 24, 2013 among a national sample of 2,538 families with children 18 years old and younger. All families had annual household income of at least $30,000.

Key Findings: Families Adopting Positive Saving and Planning Behaviors

- Families plan to pay 62% of their children's total college costs. However, they are on track to cover just one third (34%) of that savings goal.
- An all-time high 69% of families have started saving for college, and on average, put aside $5,000 last year.
- Sixty-one percent of families say they have a financial plan in place to help them reach college savings goals.
- Thirty-three percent of families report they are investing in a 529 college savings account, an increase from 28% last year (2012) and 18% five years ago (2008).
- Advisors are helping families with college financial discussions and involving their children.
    - Eleven percent of parents working with financial professionals had their advisor meet with their child to talk about college.
    - Forty-five percent have used materials provided by their financial professionals to help facilitate college planning discussions with their children.
- When asked to "grade" themselves on their progress in saving for college, parents give themselves a 'B-minus.'

2013 College Savings Indicator:
Parents are on track to meet 34% of their college savings goals

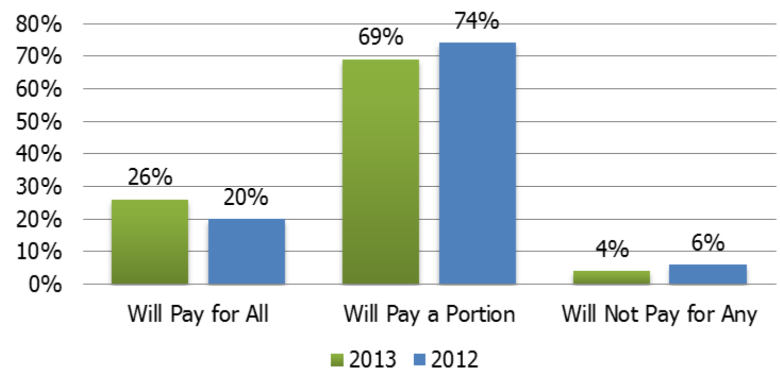
Fidelity's College Savings Indicator (CSI) is a national measure of parents' overall preparedness to pay for higher education. The Indicator represents the percentage of projected college costs that the typical American family is on track to cover, based on their current and expected savings, and their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

- 26% of the parents surveyed plan to pay all costs
- 69% plan to pay a portion
- 4% will not pay for any of their children's college costs

Parents' Intention to Pay for Total Cost of College



The 2013 CSI takes into account the portion of costs parents plan to pay and calculates how prepared parents are to fund that savings goal.

- Results showed that, on average, parents plan to cover 62% of the total cost of college, up from 57% in 2012. They will rely on grants, scholarships, student loans, gifts from grandparents, and other sources to make up the difference.
- With 62% being the "average savings goal" for parents in 2013, this resulted in a CSI score of 34% -- meaning that overall, the typical American family who plans to cover nearly two-thirds of college costs (including tuition, fees, room and board) is on track to meet 34% of that savings goal.

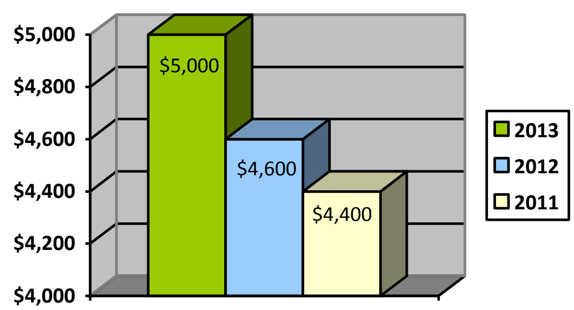
FAMILIES ARE MAKING COLLEGE SAVING A PRIORITY, UTILIZING DEDICATED COLLEGE SAVINGS ACCOUNTS

The percentage of families saving for college has reached an all-time high for the CSI study, with more than two-thirds (69%) reporting they have started to save (up from 66% in 2012 and 58% in 2007).

When asked to "grade themselves" on their progress in saving for college, parents gave themselves an average score of '80%' or a B-minus.

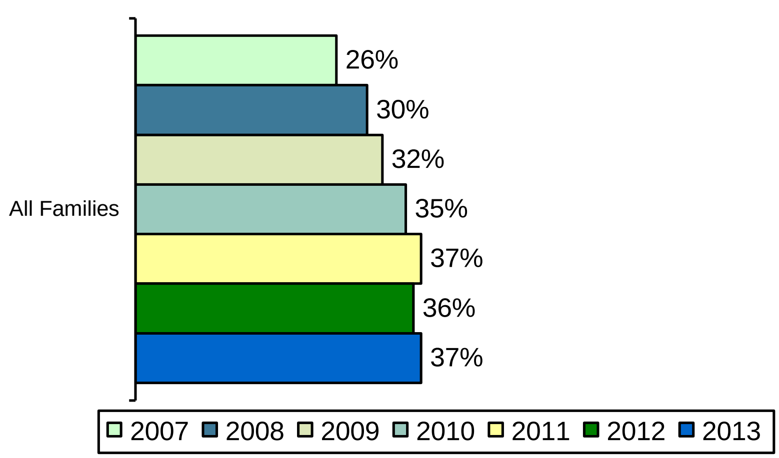
Sixty-one percent of parents report they have a financial plan in place to help them reach their college savings goals. Parents report saving an average of $5,000 last year for their children's college education.

Annual Average College Savings



Thirty-seven percent of these parents are investing in a dedicated college savings account such as a 529 plan, consistent with the last two years, but up significantly from 26% in 2007, when Fidelity first fielded this survey.

Families Invested in a Dedicated College Savings Account



Families investing in a 529 account increased to 33%, up from 28% last year (2012) and 18% five years ago (2008).

- In 2013, 37% of parents say that they increased their regular/monthly contributions since they opened their 529 account, up from 34% last year and compared to only 25% of parents who said this in 2011.
- 88% of 529 account owners have a financial plan in place to meet their college savings goals compared to only 48% of those who do not own a 529.
- 529 account owners feel more educated (82%) and prepared (69%) when it comes to saving for college versus non-529 owners (52% and 36%, respectively).
- More than three-quarters (78%) of parents agree that despite recent market volatility 529 plans are still an effective way to save for college.

Concern Over Rising Cost of College Prompts Action

Many parents are voicing concerns as the cost of college continues to rise:

- 74% of families believe the cost of college is becoming cost prohibitive
- 55% are concerned their children will have to make compromises in the quality of their education due to cost
- 51% believe that saving too much will hurt their child's eligibility for financial aid
- 43% do not believe they will be able to secure a student loan for the full amount they need to pay for their child's education

Parents continue to consider multiple strategies to manage these rising costs, as most (80%) consider college a minimum requirement for getting a decent job and a similar percentage (78%) do not want to burden their children with hefty student loans when they graduate.

Strategies Parents are Considering to Help Manage College Costs

- 54% of parents expect their kids to take online courses for credit
- 50% will consider having their child live at home and commute
- 40% will encourage their child to attend a public school
- 23% will encourage their child to graduate in fewer semesters

- Parents are also asking their children to get involved and be accountable for their education. Seventy-six percent of parents agree that children won't appreciate college as much unless they share some responsibility for paying for it.
    - 43% are <u>planning to ask</u> their children to put aside some of their own earnings to help cover the rising cost of college.
    - Among all parents surveyed, 29% <u>have already asked</u> their children to start putting aside money for college. The average age of their child when they asked him/her to start saving was 12.8.
    - 54% of parents are considering having their child work part-time while in school.
- In addition, once their children get to college, more than two-thirds (68%) of parents will ask their children to "make the grade" and require that they maintain a certain grade point average (GPA) in order to fund their college. The average GPA parents say they will require of their children is 3.1.
- Separately, 64% of parents who currently are paying for day care, after school care or private school intend to allocate a portion of those funds toward college savings once they no longer have to pay for day care, etc. Additional ways they will use those funds include paying down debt (31%) and saving for retirement (27%).

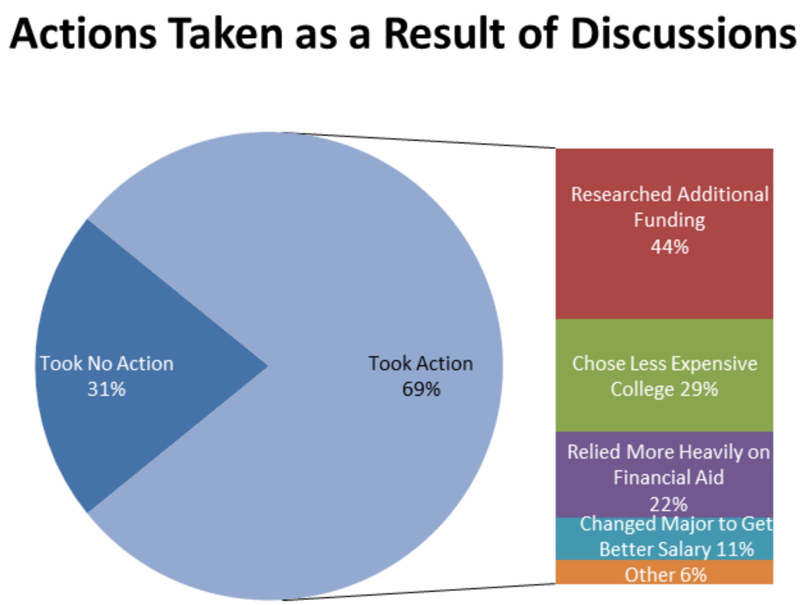
CONVERSATIONS ABOUT COLLEGE

Parents who start talking to their kids early about college are more likely to be actively addressing future costs.

- Parents who first started talking to their kids about paying for college before the age of 10 are more likely to have started saving (93%), compared to 80% of parents who first discussed paying for college when their child was 10 or older.
- Fifty-seven percent of families who started conversations with their children before the age of 10 also started saving in a dedicated college savings account versus 42% of those who started talking to their children when they were older (age 10+).

Among parents with older children (grade 10 and higher), 59% report they have talked to their kids about the total cost of college and the implications college choices could have on future job prospects, earning potential, and student loan debt.

- Sixty-nine percent of these families took action to address these issues including researching additional funding sources such as scholarships and grants (44%) and opting to attend less expensive colleges (29%).



PARENTS SEEKING GUIDANCE AND WORKING WITH ADVISORS

2013 College Savings Indicator for Families Working with Advisors

One-third (33%) of parents surveyed are turning to financial advisors to help them with their college savings decisions. This is a significant increase from seven years ago when Fidelity started this study, when 21% of parents were turning to financial advisors for guidance.

Results show that families working with advisors are better prepared to pay for higher education than the average family, and 92% of them feel confident they will reach their college savings goals. Fidelity's 2013 College Savings Indicator shows that the typical American family is on track to cover 34% of their college savings goals. Families that work with an advisor are on track to cover 57% of their goal for covering college costs, including tuition, fees, room and board.

- Results showed that, on average, parents who work with advisors plan to cover approximately 68% of the total cost of college. They will rely on other sources such as grants, scholarships, student loans, gifts from grandparents, etc. to make up the difference.

College Saving Behavior of Families Working with Advisors

A larger proportion of parents who work with advisors have started saving for college expenses (89%), well ahead of the 59% of families who do not work with advisors, who have started saving. The vast majority of families working with advisors (85%) report having a college savings plan in place.

Over one-half of those families using advisors (57%) invest in dedicated college savings accounts such as 529 plans, well ahead of the 27% of families that do not use advisors.

- 76% of these families report having purchased their plan through an advisor. And parents continue to drive the discussion; in only 30% of cases does the advisor proactively suggest the 529 plan.

Role of the Advisor

A majority of parents who use an advisor (69%) believe that they are closer to achieving their college savings goals than they would be without the help of their advisor, and nine in 10 who work with financial professionals are confident that they will reach their college savings goals for their children.

- 70% of parents with advisors received guidance on paying for college in the current market environment, including adjusting investment strategies (35%), using rewards programs to boost savings (27%), and exploring supplemental funding sources (27%).

Financial professionals can help mediate delicate conversations when discussing college financing. Of the parents who work with financial professionals, one in ten (11%) had their advisor meet with their child when discussing college finances and 45% of parents used materials provided by their financial professionals to help them facilitate college planning discussions with their children.

Families are talking to financial professionals about a wide range of strategies for paying for college, beyond those typically considered:

- Strategies for efficient college savings (47%)
- Tax benefits of 529 plans (44%)
- Strategies for efficient withdrawals of college savings (38%)
- The debt parents and children will incur while in college (37%)
- The financial aid / grant process (36%)
- Determining the share of college costs parents and children should bear (33%)
- The child's anticipated salary after graduation (25%)
- Researching schools (23%)
- The child's planned major (21%)

For those working with a financial professional and currently not receiving help in college financial discussions, they indicated they would like help with practical payment and financing strategies, above all else; specifically, strategies for efficient withdrawals of college savings (39%) and the financial aid / grant process (38%).

In 2013, those working with financial advisors are showing a stronger position and confidence toward college savings compared to those who are not working with a financial professional.

	Have Advisor	No Advisor	Total
Amount saved towards college	$47,400	$40,300	$43,300
Have started saving towards college	89%	59%	69%
Have a plan in place to reach their college savings goal	85%	50%	61%
Plan to use a dedicated college savings account to finance children's college education	72%	44%	53%
Own a 529 plan product	57%	21%	33%
Have a dedicated college savings account	57%	27%	37%
Had conversations with children about how the family will pay for college	60%	37%	45%
Are confident they will reach their college savings goals for their children	92%	77%	82%

APPENDIX: RESPONDENT PROFILE

The profile of families surveyed is as follows:

- Seventy-nine percent of respondents are married couples
- Average household income is $89,300
- Average of 2 children in household; 67% have at least two children
- Ages of children:
    - 37% have children under 6 years old
    - 32% 6-9
    - 27% 10-12
    - 49% 13-18
    - 12% 19-22
    - 13% 23+
- More than half (57%) of all parents surveyed graduated from college and 84% 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 provide 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 Research Data Technology, an independent research firm, through an online survey of more than 2,500 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. College costs are sourced from the College Board's *Trends in College Pricing 2012*. 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 and 2013, this metric was updated to take into account the portion of total college costs families intend to pay, if not the full 100%.)

For sake of comparison to past years, those results are included here:

The Traditional CSI measure increased to 19% in 2013, from 16% in 2012, but remains down from 24% in 2007, when Fidelity first launched the study. Some of this decline is attributable to the rising costs of college – which has increased 26% since Fidelity first conducted this study in 2007[1].

- Consistent with all prior years, families who use an advisor are significantly better prepared to pay for higher education than the average family. Families who work with an advisor are on track to cover 35% of total college costs.

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 2.3%) annually.

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

[1] College Board, Trends in College Pricing, 2012. Data is straight average of 4-year public and private school costs.

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. 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.

The results of Fidelity's 7th Annual College Savings Indicator Study may not be representative of all parents meeting the same criteria as those surveyed for this study.

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