

# Majority of Parents Have Set Little or No Money Aside to Cover Children's College Costs, according to New National Survey

*Many expect financial aid and/or scholarships to pay some or all of their child's college expenses*

The cost of a higher education is daunting for a lot of parents, and they may have good reason to worry. A new Wall Street Journal Online/Harris Interactive Personal Finance Poll reveals most (97%) U.S. adults who are the parent or legal guardian of a child 18 years of age or younger expect their oldest child in this age range to attend college, and nearly eight in 10 (79%) of these parents expect to pay for some or all of their child's college education. While parents overall appear to have a reasonable expectation of how much they will probably need to pay, the poll finds that a majority has saved little or nothing for this anticipated expense.

These are some of the results of an online survey of 2,239 U.S. adults conducted by Harris Interactive between March 8 and 10, 2006 for The Wall Street Journal Online's Personal Journal Edition.

## Type of school

Among those who are a parent or legal guardian of children age 18 or younger, when considering their oldest child in this age range, more than one-third (37%) says they think the child will attend an in-state public college, and equal numbers think they will attend a community college (11%) or an in-state private college (11%)<sup>1</sup>. Interestingly, those in the South (52%) are more likely than those in the Northeast (24%), Midwest (27%) or West (43%) to think their child will attend an in-state public college. Income does not appear to be an indicator as to whether a parent thinks their child will attend college, however, those with an income of \$75K or more (14%) are substantially less likely than those with an income of \$35K or less (43%) to be unsure of the type of college their child will attend.

## Whose pocket do the funds come out of?

Among those parents who think their child will attend college or those who are not sure, eight in 10 (79%) expect to pay for some or all of their child's college education. Predictably, those with incomes of \$75K or more (90%) are more likely than those with lesser incomes (73%) to say they expect to pay for some or all of their child's college education.

<sup>1</sup> If respondents oldest child aged 18 or under was already attending or had already attended college, respondents were asked to indicate what type of college their child was attending or had attended.

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While many parents are expecting to pay some portion of their child's college expenses, many are also relying on financial aid and/or scholarships to pick up some of the expenses, which may not be a wise assumption to make.

Approximately seven in 10 (69%) parents who think their child will attend college or are not sure expect their child to receive scholarships and/or financial aid to help defray some or all of the costs. Those with incomes under \$50,000 (17%) are more likely than those with incomes of \$50,000 or more (3%) to expect scholarships and/or financial aid to foot the whole bill.

Dana Markow, Ph.D., Vice President of Youth and Education Research at Harris Interactive, comments: "Previous youth research<sup>2</sup> tells us that concerns about affording college are among the top teen worries. Almost half of those 13 to 21 years of age are worried that college will be too expensive for them to afford – and that is about as many who worry about their weight or their looks, and more than who worry about having problems with drugs or alcohol."

### Cost estimate and savings

This new survey suggests that parents who expect to pay for some or all of their child's college education appear to have reasonable expectations of the amount they will need to pay, with 11 percent expecting to pay less than \$5,000, and 17 percent expecting to pay \$5,000 to \$9,999. Two in five (39%) are expecting a bill of \$10,000 to \$29,999, while another 16 percent expect to pay \$30,000 or more. However, when it comes to saving money for this anticipated expense, a majority of parents don't appear to be putting their money where their mouth is. In fact, a quarter (26%) of parents who say they expect to pay for some or all of their child's college education say they have saved less than \$5,000 and a third (32%) haven't saved anything specifically for that purpose.

The age of one's child/children has an impact on how much money a parent has saved. Among those who expect to pay for some or all of their child's education, large majorities of parents with children aged two to 13 (74%) and parents with children aged 14 to 18 (67%) have saved money specifically for their child's education, while less than half (46%) of parents with children under the age of two can say the same. Also, as expected, those with incomes of \$75,000 or more were much more likely to say they have saved money for their child's college education (76%) than those with an income of \$35,000 or less (42%).

### Ways to save

There are a variety of accounts that can be used to save for a college education. According to the survey, the most common types of accounts parents who expect to pay some or all of their child's college education are using or plan to use include:

- Savings (32%)
- "529" college savings plan (28%)
- Mutual funds (18%)
- Stocks (17%)
- Bonds (15%)
- CDs (13%)

# Personal Finance Poll

One-quarter (24%) of parents who expect to pay some or all college education costs say they are not sure what they are using or what they plan to use to save for this expense and approximately one in 10 (9%) say they do not plan to save money for this.

Again, income plays a role in the types of accounts parents are using or plan to use to save for their child's college education.

- Those with incomes of \$35,000 to under \$50,000 are more likely than those in other income brackets to say they use or plan to use a savings account (49% vs. 31%) or bonds (28% vs. 14%).
- Those with incomes of \$75,000 or more are more likely than those with lesser incomes to say they are using or plan to use a "529" college savings plan (40% vs. 18%), mutual funds (27% vs. 9%) and stocks (29% vs. 9%).
- Those with incomes less than \$35,000 are much more likely than those with higher incomes to say they are not sure what types of accounts they are using or what they plan to use (50% vs. 16%).

**TABLE 1**

**Parent/Legal Guardian**

"For which of the following are you the parent or legal guardian?"

Base: All adults

	<b>Total</b>
	%
<b>Parent/Legal Guardian of Any Child Age 18 or Younger (Net)</b>	<b>27</b>
Child/children under the age of 2	5
Child/children between the ages of 2–6 years old	11
Child/children between the ages of 7–13 years old	13
Child/children between the ages of 14–18 years old	9
Child/children aged 19 years or older	24
I am not the parent or legal guardian of any children	53

Note: Percentages may not add up to 100% due to rounding.

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**TABLE 2A**

**College Attendance – by Region**

“Now, if you have more than one child aged 18 or younger please think only about your oldest child within this age range. Which of the following types of colleges, if any, do you think your oldest child aged 18 or younger will attend? If your oldest child aged 18 or younger is already attending or has already attended college, please indicate what type of college they are attending/attended.”

Base: Parent/Legal guardian of any child age 18 or younger

	Total	Northeast	Midwest	South	West*
	%	%	%	%	%
<b>Thinks Child Will Attend College (Net)</b>	<b>97</b>	<b>97</b>	<b>95</b>	<b>98</b>	<b>98</b>
A community college	11	9	9	15	11
An in-state public college	37	24	27	52	43
An in-state private college	11	19	9	9	4
An out-of-state private college	6	12	4	3	4
An out-of-state public college	4	2	3	3	10
Not sure	28	32	43	17	26
I do not expect my child/children to attend college	3	3	5	2	2

Note: Percentages may not add up to 100% due to rounding.

\*Small base (n<100). Data should be used directionally.

**TABLE 2B**

**College Attendance – by Income**

“Now, if you have more than one child aged 18 or younger please think only about your oldest child within this age range. Which of the following types of colleges, if any, do you think your oldest child aged 18 or younger will attend? If your oldest child aged 18 or younger is already attending or has already attended college, please indicate what type of college they are attending/attended.”

Base: Parent/Legal guardian of any child age 18 or younger

	Income				
	Total	Less than 35K	\$35K-\$49.9K*	\$50K-\$74.9K	\$75K+
	%	%	%	%	%
<b>Thinks Child Will Attend College (Net)</b>	<b>97</b>	<b>96</b>	<b>99</b>	<b>97</b>	<b>99</b>
A community college	11	14	14	14	6
An in-state public college	37	32	29	36	46
An in-state private college	11	2	7	11	19
An out-of-state private college	6	2	5	6	9
An out-of-state public college	4	3	2	5	5
Not Sure	28	43	43	26	14
I do not expect my child/children to attend college	3	4	1	3	1

Note: Percentages may not add up to 100% due to rounding.

\* Small base (n<100). Data should be used directionally.

**TABLE 3A**

**Funding of College Education – by Income**

“How do you expect this child’s college education to be funded?”

Base: Those who think their child will attend college and those who are not sure

	Income				
	Total	Less than 35K	\$35K-\$49.9K**	\$50K-\$74.9K	\$75K+
	%	%	%	%	%
<b>Expect to Pay Some or All of Child’s College Education (Net)</b>	<b>79</b>	<b>68</b>	<b>79</b>	<b>75</b>	<b>90</b>
I expect my child to receive scholarships and/or financial aid and my child and I will each pay some of the remaining costs.	34	27	37	39	34
I expect my child to receive scholarships and/or financial aid and I will pay the remaining costs.	22	15	27	18	27
I will pay for all of my child’s college education.	12	13	12	10	14
I will pay some of my child’s college education, and they will pay some of it (with no scholarships and/or financial aid included).	11	14	3	8	15
I expect scholarships and/or financial aid to pay for all of my child’s college education.	9	16	19	2	3
I expect my child to receive scholarships and/or financial aid and he/she will pay the remaining costs.	4	4	1	11	2
I expect my child to pay for all of their college education.	3	4	*	*	4
Other	5	9	1	11	*

Note: Percentages may not add up to 100% due to rounding.

\* Less than 0.5%.

\*\* Small base (n<100). Data should be used directionally.

**TABLE 3B**

**Funding of College Education – by Age of Child/Children**

“How do you expect this child’s college education to be funded?”

Base: Those who think their child will attend college and those who are not sure

	Parent/Legal Guardian of				
	Total	Child/ Children Under Age 2	Child/ Children Ages 2-6	Child/ Children Ages 7-13	Child/ Children Ages 14-18
		%	%	%	%
<b>Expect to Pay Some or All of Child’s College Education (Net)</b>	<b>79</b>	<b>79</b>	<b>77</b>	<b>78</b>	<b>79</b>
I expect my child to receive scholarships and/or financial aid and my child and I will each pay some of the remaining costs.	34	32	33	38	30
I expect my child to receive scholarships and/or financial aid and I will pay the remaining costs.	22	15	20	25	25
I will pay for all of my child’s college education.	12	17	10	9	10
I will pay some of my child’s college education, and they will pay some of it (with no scholarships and/or financial aid included).	11	15	13	7	14
I expect scholarships and/or financial aid to pay for all of my child’s college education.	9	12	13	11	10
I expect my child to receive scholarships and/or financial aid and he/she will pay the remaining costs.	4	2	3	5	4
I expect my child to pay for all of their college education.	3	1	3	2	5
Other	5	5	5	5	2

Note: Percentages may not add up to 100% due to rounding.

\* Less than 0.5%.

**TABLE 4**

**Expected Cost of College Education**

“What do you expect to pay for your child’s college education per year (including room and board)?”

Base: Expect to pay some or all of child’s college education

	Total
	%
Less than \$5,000	11
\$5,000–\$9,999	17
\$10,000–\$19,999	23
\$20,000–\$29,999	16
\$30,000–\$39,999	6
\$40,000–\$49,999	4
\$50,000–\$59,999	2
\$60,000 or more	4
Not sure	18

Note: Percentages may not add up to 100% due to rounding.

**TABLE 5A**

**Amount Saved Specifically for Child’s College Education – by Income**

“Approximately how much have you saved specifically for your child’s college education?”

Base: Expect to pay some or all of child’s college education

	Total	Income			
		Less than 35K**	\$35K-\$49.9K**	\$50K-\$74.9K	\$75K+
		%	%	%	%
<b>Saved Money Specifically for Child’s College Education (Net)</b>	<b>68</b>	<b>42</b>	<b>73</b>	<b>64</b>	<b>76</b>
Less than \$5,000	26	21	33	29	26
\$5,000–\$9,999	10	11	16	5	12
\$10,000–\$19,999	8	2	7	5	13
\$20,000–\$39,999	4	*	5	8	4
\$40,000–\$59,999	3	1	-	4	6
\$60,000–\$79,999	3	1	9	2	4
\$80,000–\$99,999	1	-	-	-	3
\$100,000–\$199,999	*	-	-	-	*
\$200,000 or more	1	-	-	-	2
Not Sure	11	7	2	11	7
I have not saved money specifically for my child’s college education	32	58	27	36	24

Note: Percentages may not add up to 100% due to rounding.

\* Less than 0.5%.

\*\* Small base (n<100). Data should be used directionally.

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**TABLE 5B**

**Amount Saved Specifically for Child's College Education – by Age of Child/Children**  
 "Approximately how much have you saved specifically for your child's college education?"  
 Base: Expect to pay some or all of child's college education

	Parent/Legal Guardian of				
	Total	Child/ Children Under Age 2**	Child/ Children Ages 2-6	Child/ Children Ages 7-13	Child/ Children Ages 14-18
	%	%	%	%	%
<b>Saved Money Specifically for Child's College Education (Net)</b>	<b>68</b>	<b>46</b>	<b>74</b>	<b>74</b>	<b>67</b>
Less than \$5,000	26	23	34	23	22
\$5,000–\$9,999	10	9	17	12	4
\$10,000–\$19,999	8	5	6	8	13
\$20,000–\$39,999	4	1	4	3	5
\$40,000–\$59,999	3	-	2	6	3
\$60,000–\$79,999	3	2	4	5	2
\$80,000–\$99,999	1	2	-	1	4
\$100,000–\$199,999	*	-	-	-	*
\$200,000 or more	1	*	*	1	1
Not Sure	11	2	7	15	13
I have not saved money specifically for my child's college education	32	54	26	26	33

Note: Percentages may not add up to 100% due to rounding.

\* Less than 0.5%.

\*\* Small base (n<100). Data should be used directionally.

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**TABLE 6A**

**Types of Accounts Used/Plan to Use to Save for Child's College Education – by Income**  
 “What types of account(s) do you use or plan to use to save for your child's college education?”  
 Base: Expect to pay some or all of child's college education

	Income				
	Total	Less than 35K*	\$35K-\$49.9K*	\$50K-\$74.9K	\$75K+
	%	%	%	%	%
<b>Plan to Save Money for Child's College Education (Net)</b>	<b>91</b>	<b>91</b>	<b>97</b>	<b>86</b>	<b>93</b>
Savings	32	21	49	30	36
“529” college savings plan	28	13	12	27	40
Mutual funds	18	4	13	14	27
Stocks	17	2	19	9	29
Bonds	15	11	28	9	16
CDs	13	18	15	7	12
Education IRA	9	4	9	5	13
Money market account	8	3	6	4	14
Roth IRA/Coverdell	7	3	12	3	10
UTMA, Uniform Transfer to Minors Account	3	1	-	2	5
UGMA, Uniform Gift to Minors Account	3	1	2	1	6
Other	10	3	6	9	13
Not sure	24	50	18	19	14
I do not plan to save money for my child's college education	9	9	3	14	7

Note: Percentages may not add up to 100% due to rounding.

\* Small base (n<100). Data should be used directionally.

**TABLE 6B**

**Types of Accounts Used/Plan to Use to Save for Child's College Education – by Age of Child/Children**

"What types of account(s) do you use or plan to use to save for your child's college education?"

Base: Expect to pay some or all of child's college education

	Total	Parent/Legal Guardian of			
		Child/Children Under Age 2	Child/Children Ages 2-6	Child/Children Ages 7-13	Child/Children Ages 14-18
		%	%	%	%
<b>Plan to Save Money for Child's College Education (Net)</b>	<b>91</b>	<b>96</b>	<b>96</b>	<b>89</b>	<b>86</b>
Savings	32	24	42	37	26
"529" college savings plan	28	48	36	28	14
Mutual funds	18	26	18	21	18
Stocks	17	20	18	19	20
Bonds	15	13	19	16	15
CDs	13	15	13	12	16
Education IRA	9	14	12	11	5
Money market account	8	8	7	10	9
Roth IRA/Coverdell	7	9	11	10	3
UTMA, Uniform Transfer to Minors Account	3	2	5	6	2
UGMA, Uniform Gift to Minors Account	3	3	5	4	3
Other	10	3	10	12	13
Not sure	24	27	21	21	26
I do not plan to save money for my child's college education	9	4	4	11	14

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**Methodology**

Harris Interactive conducted this online survey within the United States between March 8 and 10, 2006 among a nationwide cross section of 2,239 adults aged 18 and over, of whom 579 are the parent/legal guardian of any child aged 18 or younger. Figures for age, gender, race/ethnicity, education, income and region were weighted where necessary to align with population proportions. Propensity score weighting was also used to adjust for respondents' propensity to be online.

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In theory, with probability samples of this size, one can say with 95 percent certainty that the overall results have a sampling error of plus or minus 3 percentage points of what they would be if the entire U.S. adult population had been polled with complete accuracy. Sampling error for the various sub-sample results is higher and varies. Unfortunately, there are several other possible sources of error in polls or surveys that are probably more serious than theoretical calculations of sampling error. This includes refusals to be interviewed (nonresponse), question wording and question order, and weighting. It is impossible to quantify the errors that may result from these factors. This online sample is not a probability sample.

*These statements conform to the principles of disclosure of the National Council on Public Polls.*

### About the Survey

The Wall Street Journal Online/Harris Interactive Personal Finance Poll is an exclusive poll that is published in the Personal Journal Edition of The Wall Street Journal Online at [www.wsj.com/personaljournal](http://www.wsj.com/personaljournal).

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