

2020 COLLEGE SAVINGS INDICATOR

EXECUTIVE SUMMARY OF KEY FINDINGS



INTRODUCTION

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

KEY FINDINGS

- ✔ Despite concerns about COVID-19 and distance learning, **most parents agree college is still worth the cost.**
- ✔ While few families feel confident about education this fall, **most are still saving for college.**
- ✔ The number of parents who have started saving is at an **all-time high.**

OVERALL

Parents plan to cover an average of **65%** of the total cost of college, which is up from 62% the last time the survey was conducted. They are on track to cover a median of **33%** of that college funding goal by the time their child reaches college age. While that may seem low, it is higher than 2018 when they were only on track to cover 28% of their lower goal.

THE IMPACT OF COVID-19 ON COLLEGE SAVINGS



71% are concerned about COVID-19's impact on savings



77% will increase or maintain savings, while only **9%** will decrease contributions

If distance learning becomes more common down the road, **52%** of parents say it won't impact college decisions, while **36%** say they will have their child attend a less expensive school since they would not want to pay full tuition for virtual classes.



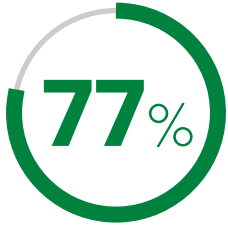
Less than one-third of parents say their children are confident heading into fall 2020, while 20% say their children are "anxious" or "uncertain".

Two-thirds of parents believe that in-person instruction is best for their child's learning, indicating that the pandemic's shift to virtual or hybrid models is a concern for many families.

THE NUMBER OF PARENTS SAVING IS AT AN ALL-TIME HIGH.

78% of parents have started saving, vs. **70%** in 2018 and **58%** in 2007, the first year of the study.

DESPITE THE RISING COST OF HIGHER EDUCATION...



of parents agree that the value of a college education is worth its cost.

80% of Millennial parents agree that the value of a college education is worth its cost, compared to only **76%** of Gen-X and **72%** of Baby Boomers.

HOWEVER:



32% are unsure what college will cost by the time their child enrolls



59% use their "own best guess" on college costs



71% do not use online planning tools



1 in 5 say they "don't know" what has the greatest impact on financial aid

529 PLANS HELP PARENTS GET A BETTER START



Parents saving in a 529 have a median of **\$30,000** set aside for college

vs. *A median of \$10,000 for those without a 529 plan.*



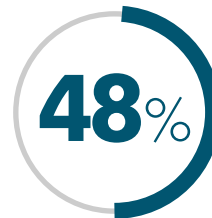
529 owners are on track to cover **46%** of their college savings goal

vs. *Those without one only on track to cover 24% of their goal.*



83% of 529 account owners have a financial plan in place to meet their college savings goal

vs. *38% who do not own a 529 plan.*



have opened a 529, up from **39%** in 2018.

This is an all-time high.



80% of families are familiar with 529 college savings plans, up from **73%** in 2018.

COLLEGE SAVINGS IQ:

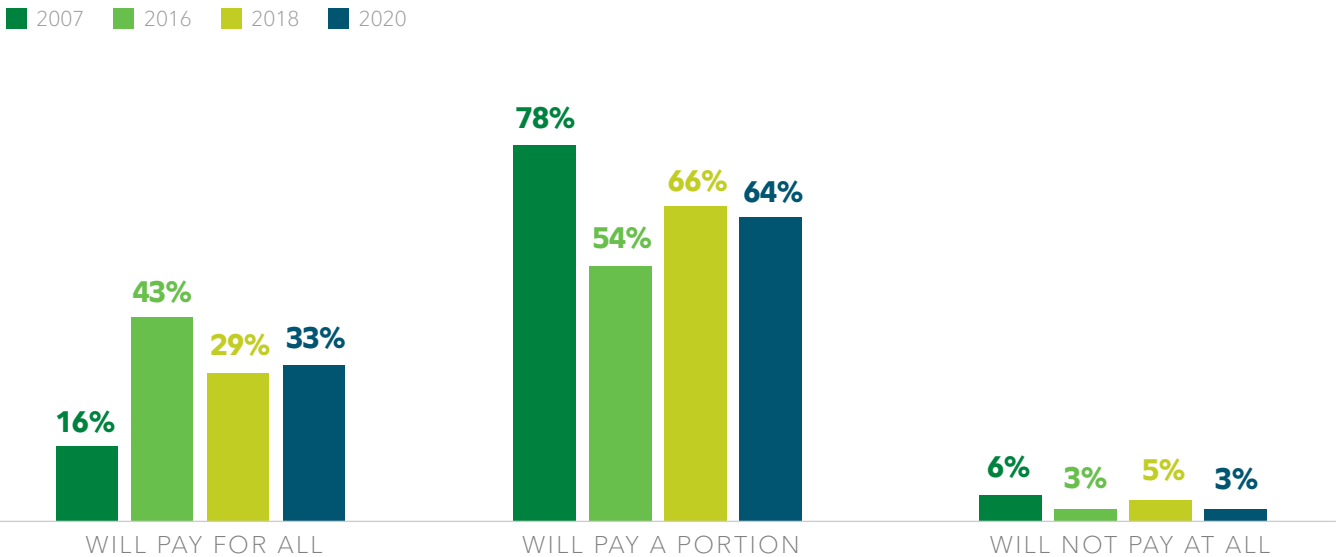
When given a true / false quiz about 529 plans and financial aid, most parents received a "D" or below. In fact, **48%** of parents, nearly half, do not realize they can transfer unused balances in a 529 to an eligible family member of the original beneficiary, such as a sibling, parent, or even a cousin.



2020 COLLEGE SAVINGS INDICATOR

PARENTS ARE ON TRACK TO MEET JUST 33% OF THEIR COLLEGE SAVINGS GOAL

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 goal. The CSI measure accounts 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:**



THE 2020 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 **65%** of the total cost of college.

vs. Parents planned to pay 62% of the total cost of college in 2018.



Parents are on track to save **33%** of their college funding goal.






vs. Parents were on track to save 28% of their college funding goal in 2018.

The 2020 CSI score of 33% is up from 2018 (28%).

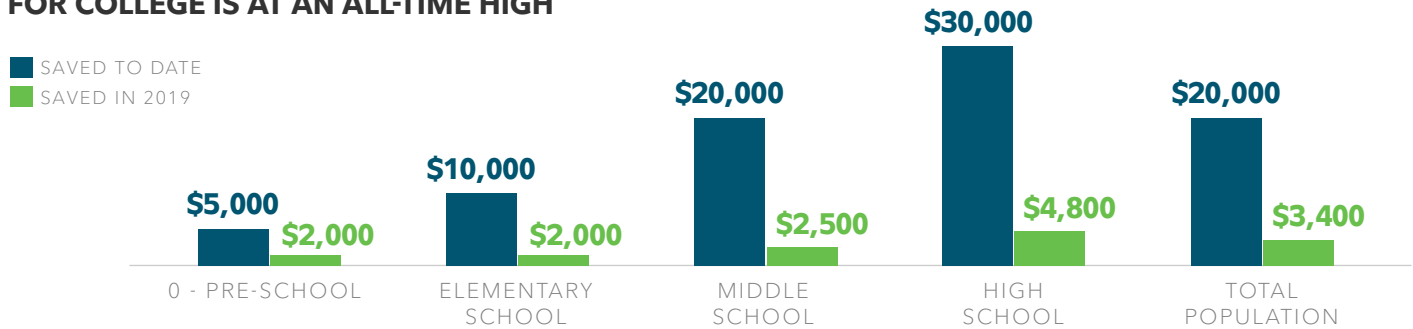
A CSI score of **33%** means that overall, the typical American family who plans to cover **65%** of college costs (including tuition, fees, room and board, and other costs) is on track to reach only **33%** of that funding goal by the time their child is ready to enter college. To make up the difference, parents will rely on contributions from their children, grants, scholarships, student loans, gifts from grandparents, and other sources.

FAMILIES MAKE COLLEGE SAVINGS A PRIORITY

Parents report that saving for college is tied with retirement among their top savings priorities. Although not widely seen as the #1 priority, those saving for an emergency fund has risen significantly since the 2018 study as being among parents' top 3 priorities.

SAVINGS	NAMED #1 SAVINGS PRIORITY	AMONG TOP 3 SAVINGS PRIORITIES
 Retirement	30%	71%
 College	22%	71%
 Emergency Fund	17%	53%
 House/Mortgage	14%	41%
 Pay Off Credit Card Debt	11%	26%

THE TOTAL MEDIAN AMOUNT PARENTS HAVE SAVED FOR COLLEGE IS AT AN ALL-TIME HIGH



*Grade of Eldest Child

PARENTS HAVE EXPECTATIONS ABOUT PAYING FOR COLLEGE BUT...



51% OF PARENTS HAVEN'T TALKED TO THEIR CHILDREN ABOUT SAVING AND PAYING FOR COLLEGE

Parents expect children to have saved a median of

\$5,000

by the time they graduate from high school.



Only **one-third** of parents plan to pay for all of their children's college costs. Most plan to pay only a portion, or nothing at all.

Among parents who expect their children to chip in, parents expect them to cover **42%** of the cost of college themselves.

CONVERSATIONS CAN HELP

PARENTS WHO HAVE TALKED TO THEIR CHILD ABOUT SAVING AND PAYING FOR COLLEGE ARE MORE LIKELY TO...



Have a good understanding of how to save

58%

among those who have talked to their child about the cost of college vs. **39%** of those who have not had the conversation.



Have started saving

88%

of people who have talked to their child have started saving, vs. only **68%** of those who have not talked to their child.



Have opened a 529 account

58%

of parents who have talked to their child have opened this type of college savings account, vs. only **38%** of people who have not talked to their child.



Have saved more already

\$25K

is the median saved by parents who have talked to their child about the cost of college vs. **\$12,000** for those who have not had the conversation.

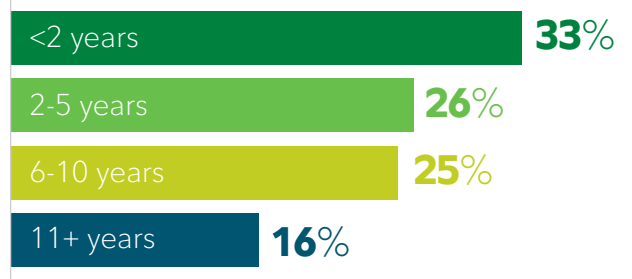
PARENTS WHO PLAN AHEAD, GET AHEAD

Only 60% of parents who plan to pay for at least some of their children's college education report they have a financial plan in place to help them reach their goals, up from 56% in 2018. Those with a plan in place tend to be more active in the college savings and planning process.

	HAVE A PLAN	DO NOT HAVE A PLAN
Have started saving toward college	95%	56%
Median amount saved toward college	\$24,000	\$10,000
Feel they are on target to meet college savings goal	47%	21%
Median amount saved per year	\$3,000	\$1,500
Own a 529 college savings plan	67%	21%
Have talked to their children about saving and paying for college	58%	36%

ENCOURAGINGLY MORE PARENTS ARE STARTING TO SAVE WHEN THEIR CHILDREN ARE YOUNGER

The average age parents started saving is **age five**, flat from 2018, vs. **age seven** in 2016.



ADVISORS ARE HELPING FAMILIES WITH SAVING



of families are working with a **financial professional** vs. **21%** in 2007.



of families who are working with an advisor **have started saving.**

45% of families are asking their advisors about 529 plans (vs. **36%** in 2018).

65% of families working with advisors are saving in 529 college plans.

79% of parents working with an advisor say it gives them peace of mind about the college planning process.

71% say they are closer to their goal thanks to their advisor.

THOSE WHO WORK WITH AN ADVISOR ARE CLOSER TO THEIR COLLEGE SAVINGS GOALS

This study shows positive behaviors exhibited by those who work with an advisor, compared to those who are not working with a financial professional.

	HAVE ADVISOR	NO ADVISOR	ALL PARENTS
Have started saving toward college	90%	70%	78%
Median amount saved toward college	\$25,000	\$15,000	\$20,000
Have a plan in place to reach their college savings goal	82%	45%	60%
Plan to use a dedicated college savings account to finance children's college education	46%	38%	41%
Own a 529 college savings plan	65%	36%	48%
Have talked to their children about saving and paying for college	59%	43%	49%

APPENDIX

RESPONDENT PROFILE

\$114K average household income

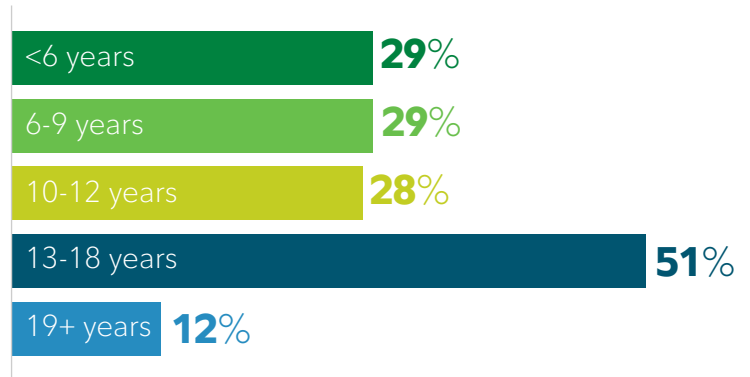
75% married couples

62% have at least two children

75% graduated from college

90% completed at least some college coursework

Households had an average of **2 children** of the following ages:



STUDY METHODOLOGY AND INDICATOR CALCULATOR

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

Boston Research Technologies, an independent research firm, conducted the online study on behalf of Fidelity Investments from June 5 – July 2, 2020.

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 1,790 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 2019. 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. 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. 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.
- 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, 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 2020 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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Boston Research Technologies, an independent research firm, conducted the on-line study on behalf of Fidelity Investments from June 5 – July 2, 2020, among a national sample of 1,790 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.

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