Parents Have Set Little or No Money Aside to Cover Children?s College Costs

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Majority of Parents Have Set Little or No Money Aside to Cover Childrenâ€™s College Costs, according to New National Survey

Many expect financial aid and/or scholarships to pay some or all of their childâ€™s college expenses

ROCHESTER, N.Y. â€“ April 4, 2006 â€“ 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 childâ€™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 InteractiveÂ® between March 8 and 10, 2006 for The Wall Street Journal Onlineâ€™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%). 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 childâ€™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 childâ€™s college education.

While many parents are expecting to pay some portion of their childâ€™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 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 â€“ 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 childâ€™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 donâ€™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 childâ€™s college education say they have saved less than $5,000 and a third (32%) havenâ€™t saved anything specifically for that purpose.

The age of oneâ€™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 childâ€™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 childâ€™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 childâ€™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 childâ€™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%)
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 childâ€™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%).
Downloadable PDFs of The Wall Street Journal Online/Harris Interactive Personal Finance Polls are posted at http://www.harrisinteractive.com/news/newsletters_wsjfinance.asp.

Methodology

Harris InteractiveÂ® 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.

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.

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the Dow Jones network of nearly 1,900 business and financial news staff-the largest network of business and financial journalists in the world. The Online Journal also features exclusive content, including interactive graphics on business and world news, and online-only columns about the automotive industry, technology, personal finance and more.

The Online Journal offers three industry-specific verticals: the award-winning Health, Media & Marketing and now Law. Health offers authoritative analysis, breaking news and commentary from top industry journalists. Media & Marketing is designed for professionals in the advertising, marketing, entertainment and media industries. Law is designed to provide law firms and attorneys timely information on events and trends important to the legal market. Subscribers to all also get access to the full content of the Online Journal.

Â In 2005, the Online Journal was awarded a Codie Award for Best Online News Service for the second consecutive year, and its Health Industry Edition was awarded Best Online Science or Technology Service for the third consecutive year. In 2004, the Online Journal received an EPpy Award for Best Internet Business Service over 1 million monthly visitors.

The Wall Street Journal Online network includes CareerJournal.com, OpinionJournal.com, StartupJournal.com, RealEstateJournal.com and CollegeJournal.com.

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