

How America Saves for College

Sallie Mae's National Study of Parents with Children under 18

Conducted by Gallup



529 College Savings Day Snapshot

May 29, 2009

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Methodology

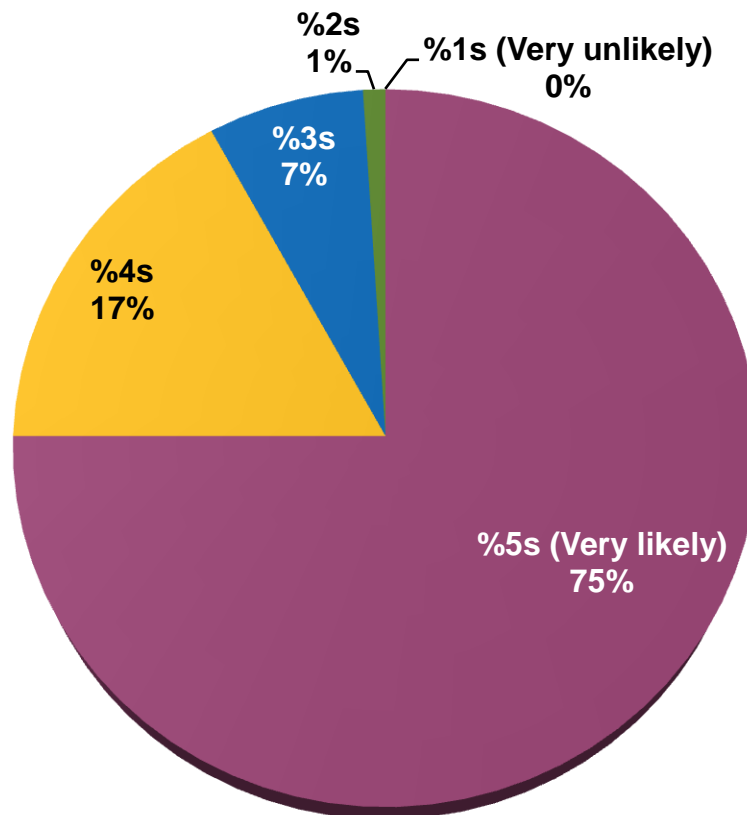
- Telephone interviews of parents of children under 18 who indicated their child was likely to attend some form of higher education or career school after completing high school.
 - 1,203 parents of children under 18*
- Conducted between March 20 and April 17, 2009.
- Sample weighted by gender, region, education, race, ethnicity and age to reflect proportions for parents of children under 18 in the Census Bureau's Current Population Survey.
- A sample size of 1,203 has a sampling error of +/-4% at the 95% confidence level.

Overview

- 9 in 10 parents of children under 18 think it likely their child will attend college or some higher education.
- 62% of families with children intending to go to college are saving for their college education, trailing only retirement savings.
- Even during this current economic crisis, many parents are still making saving for college a priority.
 - 52% of parents with children intending to attend college are saving the same amount or more for college compared to a year ago.
 - 47% have decreased their college savings or are not saving.
- Only 1 in 5 parents are extremely confident in their ability to save for college.
 - The lower the family's income, the less confidence parents have in their capacity to save.

Likelihood That Child Will Attend Some Form of Higher Education

Almost all (92%) parents of children under 18 say it's likely* their child will receive some form of higher education. No parent thought it very unlikely.



Base: Parents of children under 18.

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Q: On a scale of 1 to 5, where 5 means very likely and 1 means very unlikely, how likely is your child to attend some form of higher education or career school after completing high school?

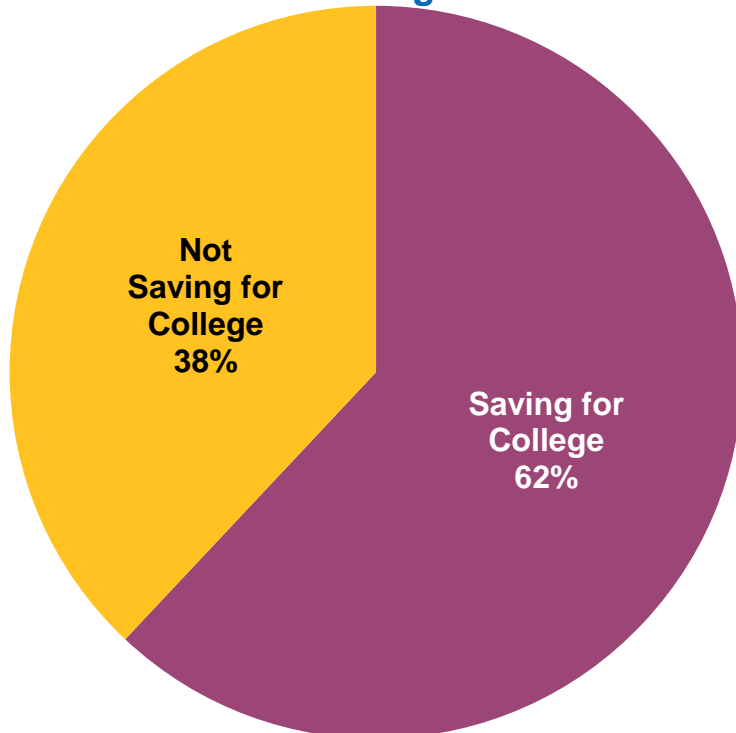
*Combined 4 & 5 ratings. Note: Later references to "some likelihood" represent combined ratings 2 through 5.

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Saving for Child's College Education

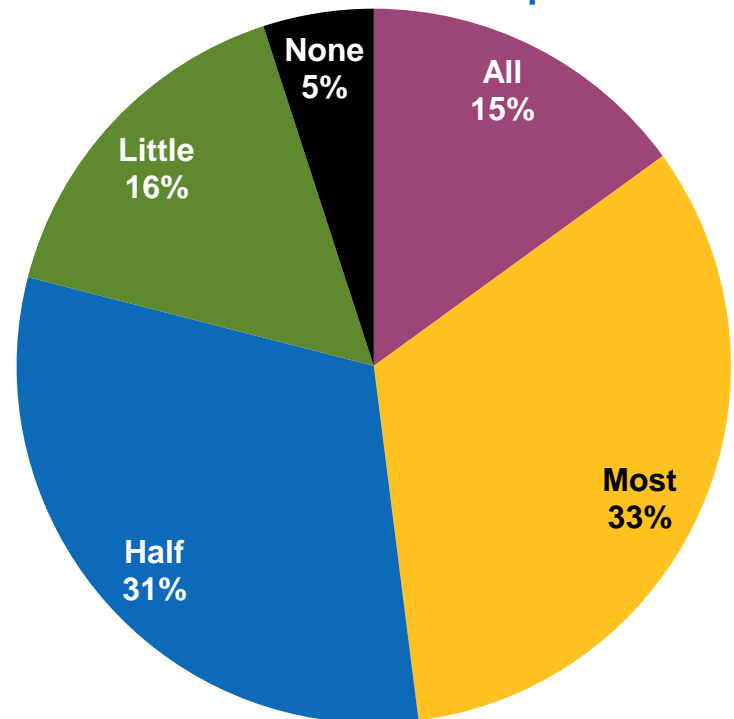
3 in 5 parents of college-bound children are saving for their child's education. Only 15% intend to pay all college expenses. Almost two-thirds (64%) will pay most or half of the cost.

Percentage of Parents Saving for College



Base: Parents of children with some likelihood to attend some form of higher education.

Expected Contribution to Total Education Costs and Expenses

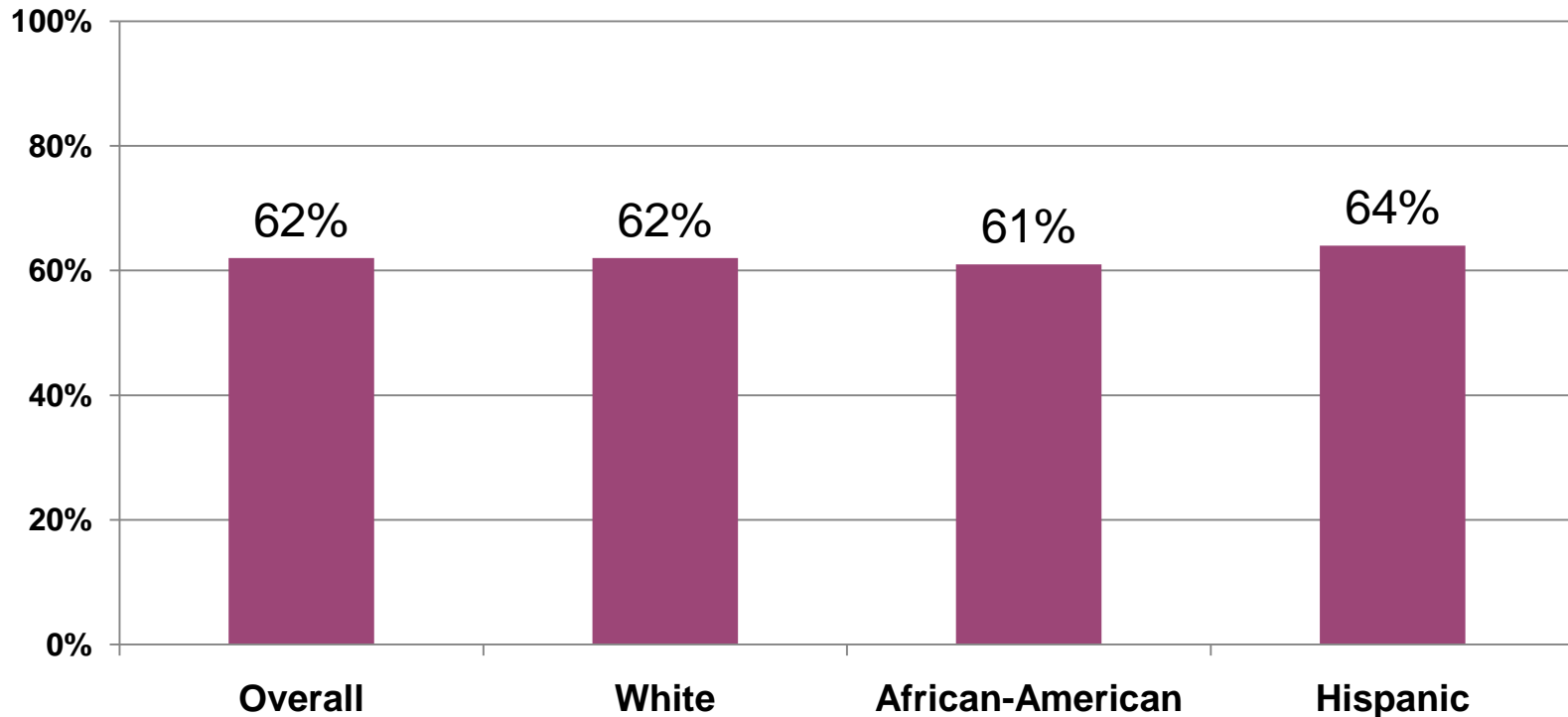


Base: Parents of children with some likelihood to attend some form of higher education.

College Saving by Ethnicity

Levels of saving among parents of college-bound children who are saving for college does not differ by ethnicity.

Percent of Parents Saving for College

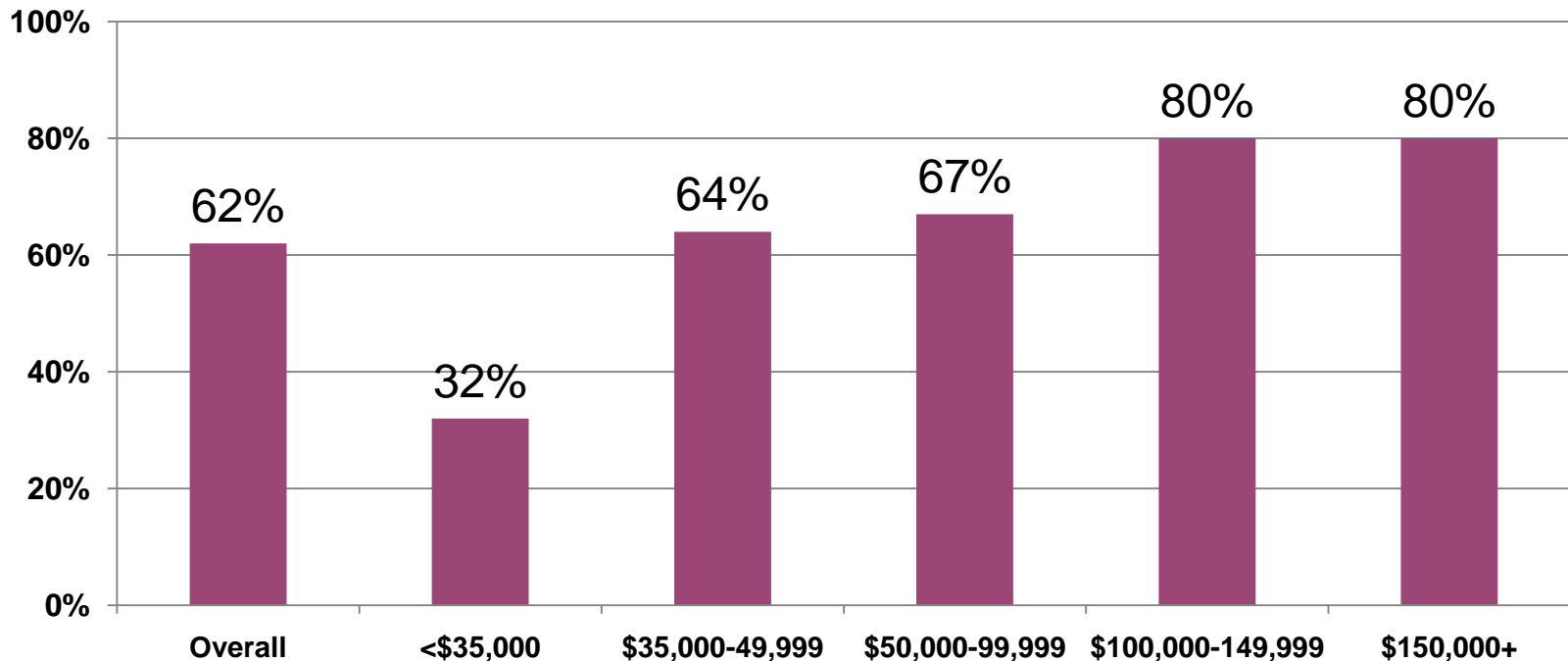


Base: Parents of children with some likelihood to attend some form of higher education.

College Saving by Income

The higher the household income, the more likely parents of college-bound children are saving for college. The level among those with incomes below \$35,000 is half the level of those earning \$35,000 - \$50,000.

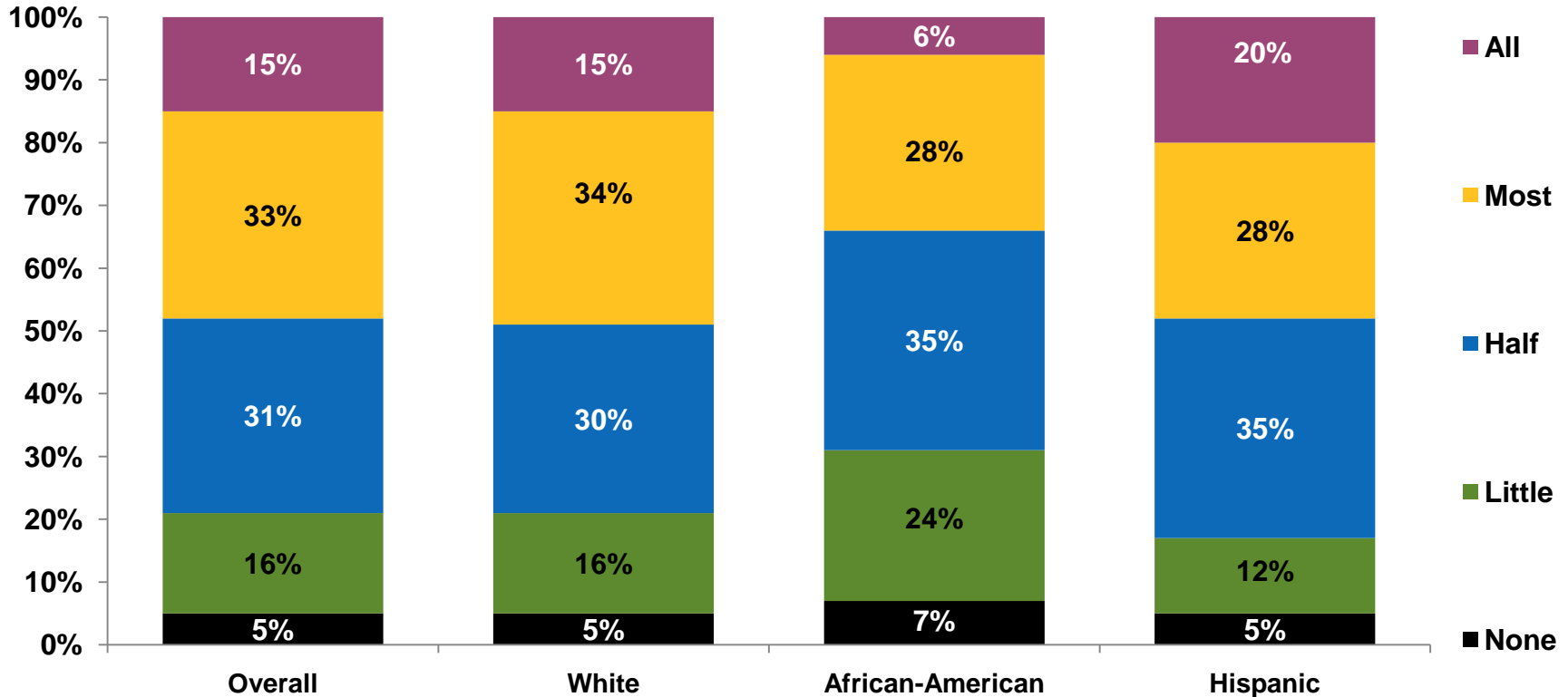
Percent of Parents Saving for College



Base: Parents of children with some likelihood to attend some form of higher education.

Parent Contribution to College Expenses by Ethnicity

Hispanic and White parents of college-bound children plan to pay more of college expenses than African-American parents.

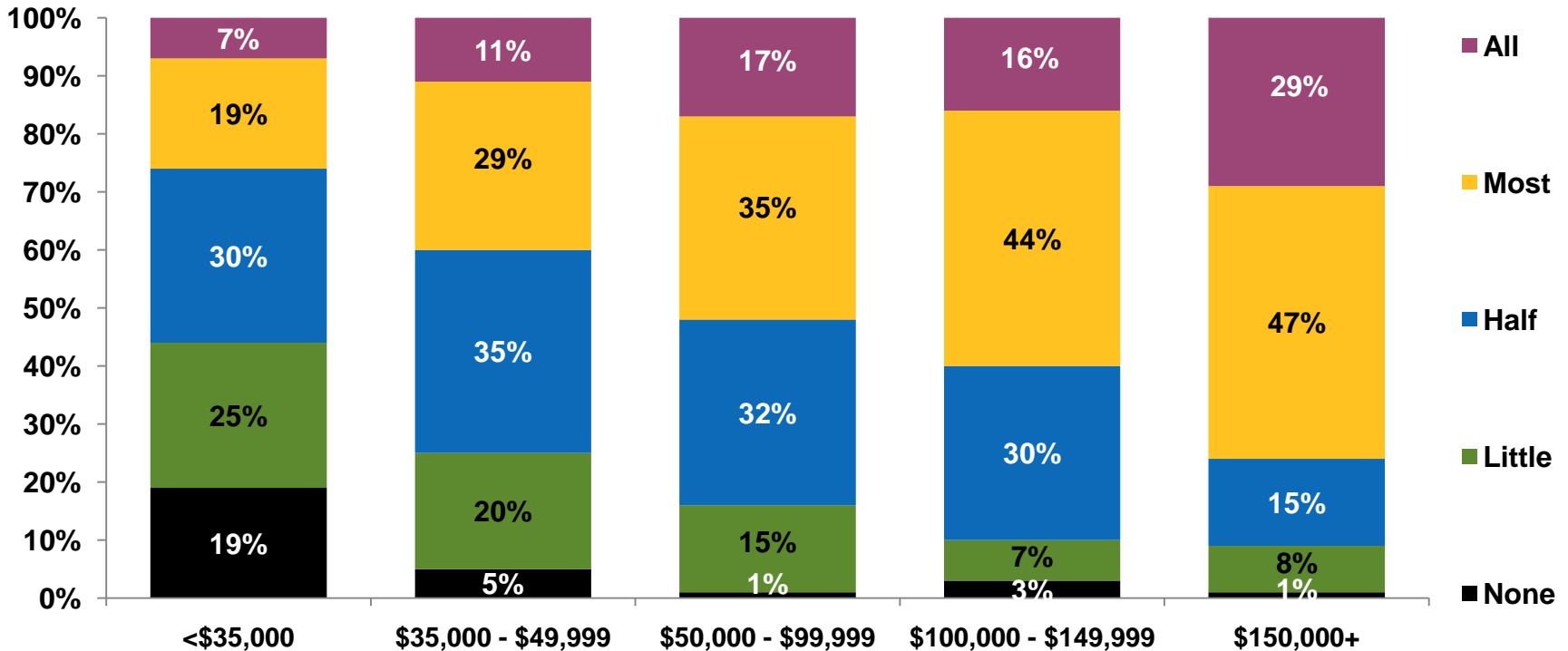


Base: Parents of children with some likelihood to attend a form of higher education.

Parent Contribution to College Expenses by Income

Among both parents who have saved and those who have not saved, the lower the household income, the less parents of college-bound children intend to contribute to college expenses.

Among those with household incomes below \$35,000, about two-in-five (44%) expect to contribute little or nothing to their child's higher education.

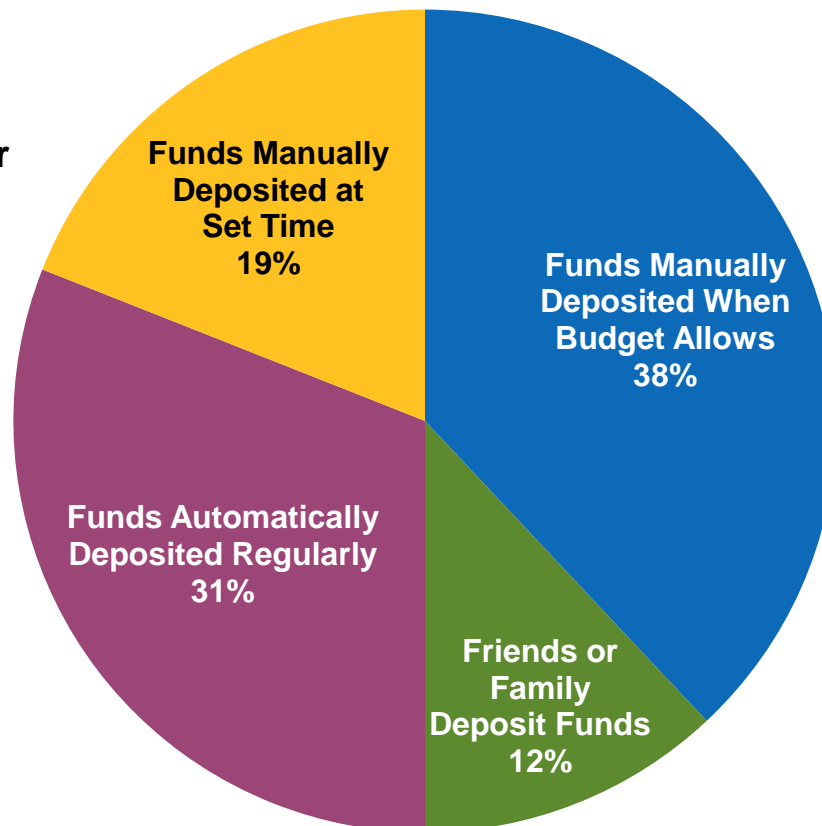


Base: Parents of children with some likelihood to attend a form of higher education.

College Savings Fund Primary Contribution Method

Habitual Savers:

One-half of college savers make contributions on a regular basis through automatic or manual deposit.



Variable Savers:

Almost 2 in 5 college savers make contributions as their budget allows.

Base: Parents of children with some likelihood to attend a form of higher education who have saved for their child's college education.

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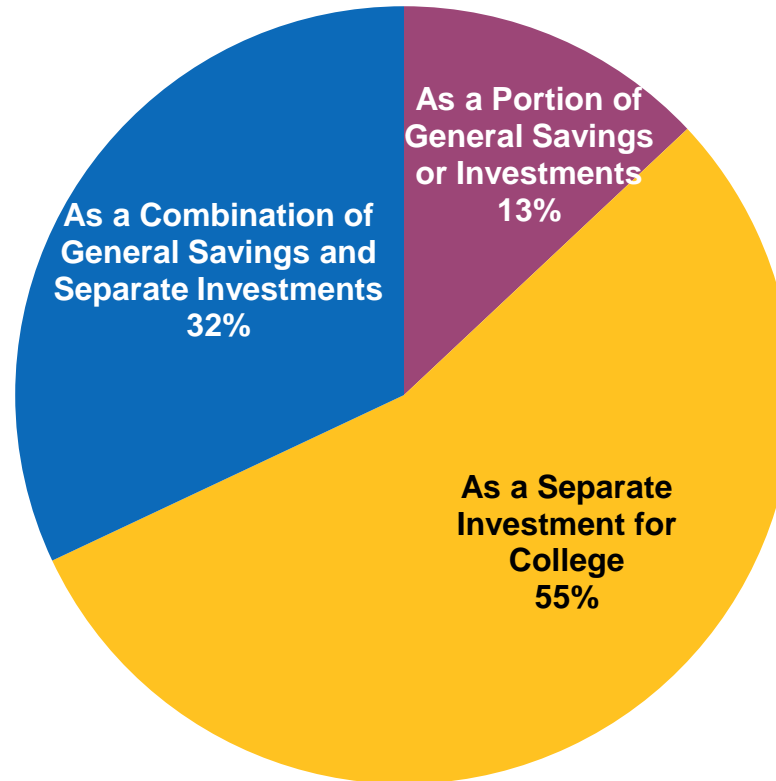
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Q: Which of the following describes the primary way you contribute to college savings funds?

General or Specific College Savings Accounts

Slightly more than one-half (55%) of college savers totally separate college savings from general savings, while another one-third use a combination of separate investments and general savings.



Base: Parents of children with some likelihood to attend a form of higher education who have saved for their child's college education.

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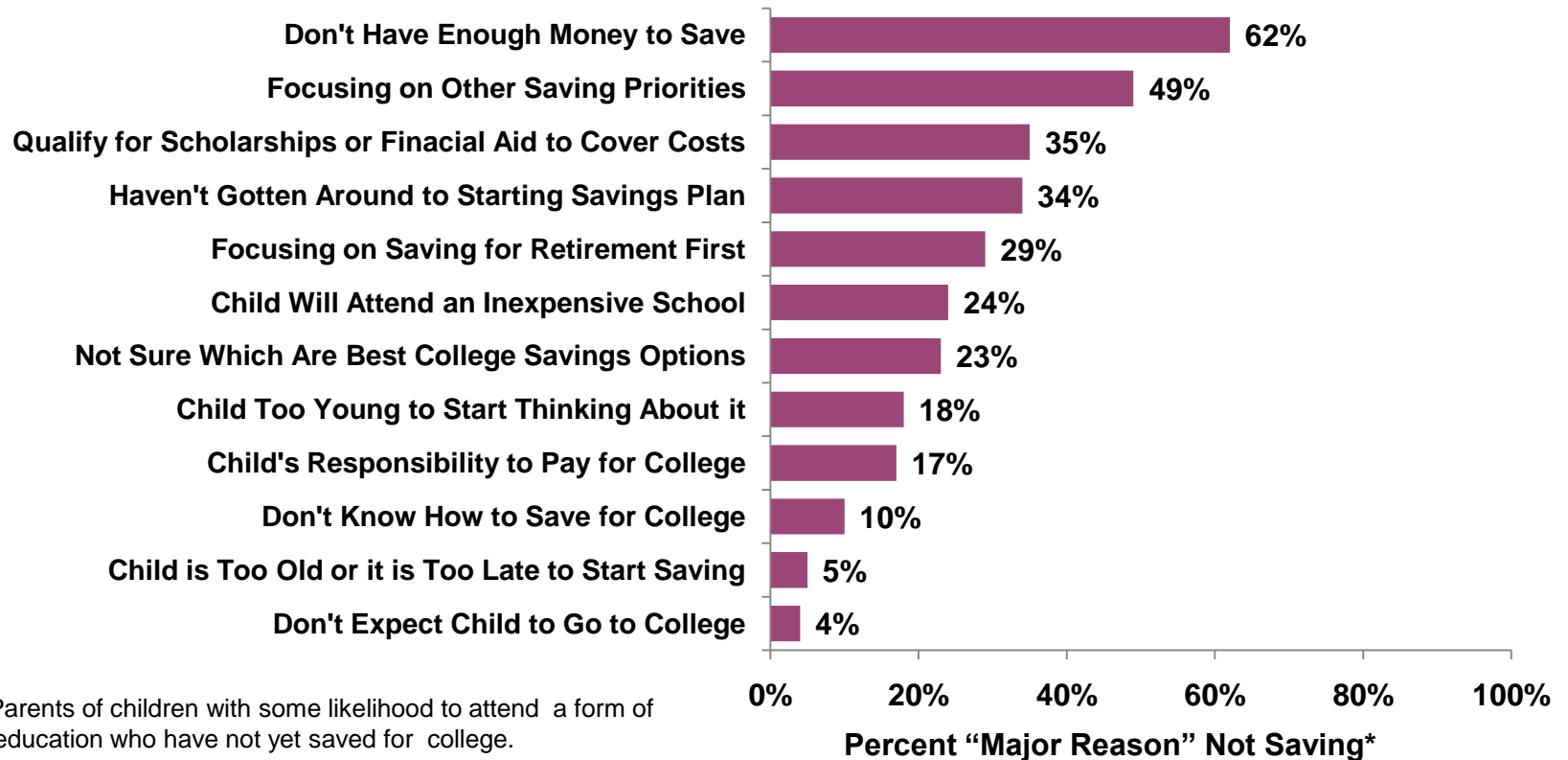
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Q: Thinking about how you save, are you saving money for this child's college education . . .

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Reasons for Not Saving for College

Lack of money is the major reason for not saving for college (62%). Other saving priorities, anticipating scholarships or financial aid covering costs, and procrastination are also prevalent reasons.

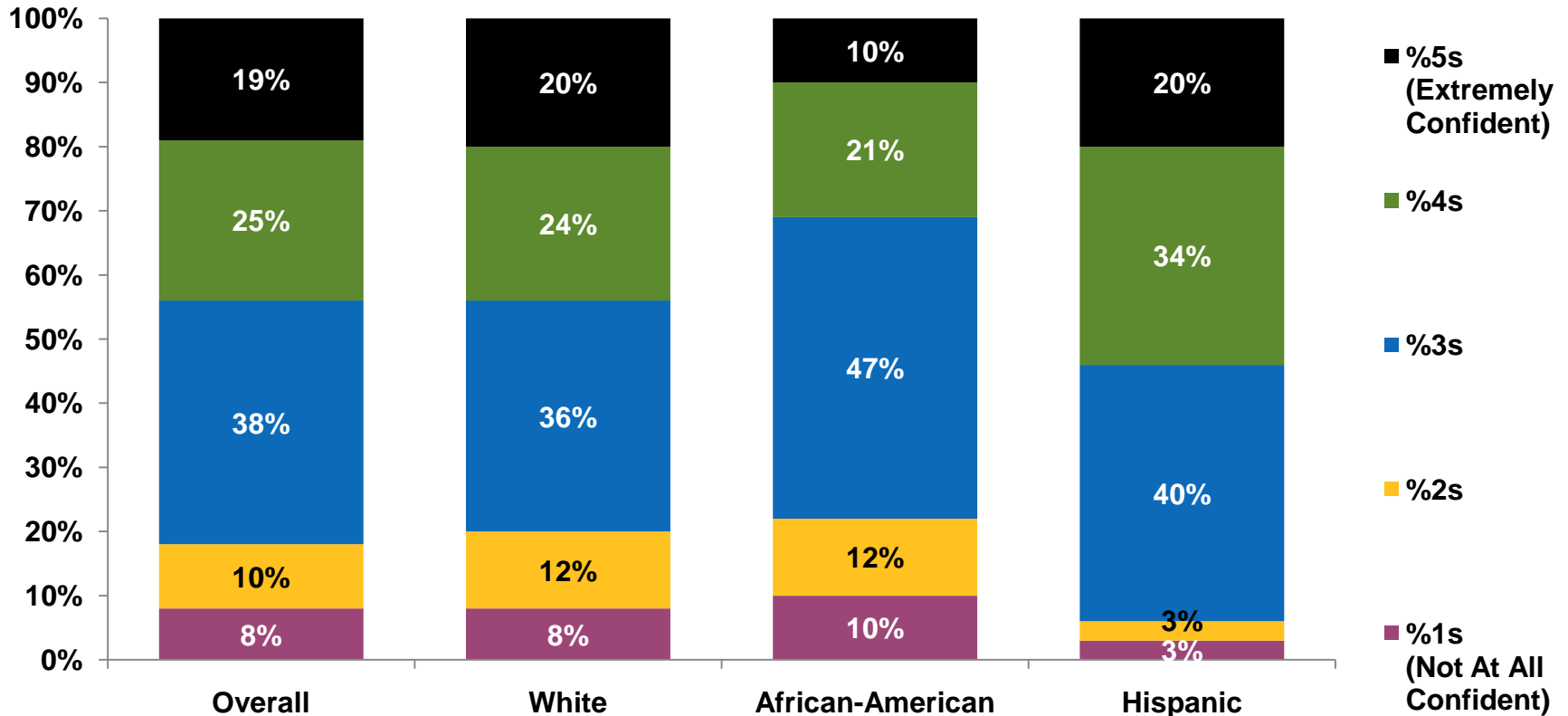


*Categories are not mutually exclusive. Responses may equal more than 100% due to multiple responses.

Q: For each of the following reasons, please tell me if it is a major reason, minor reason, or not at all a reason why you have not started saving.

Confidence in Ability to Save by Ethnicity

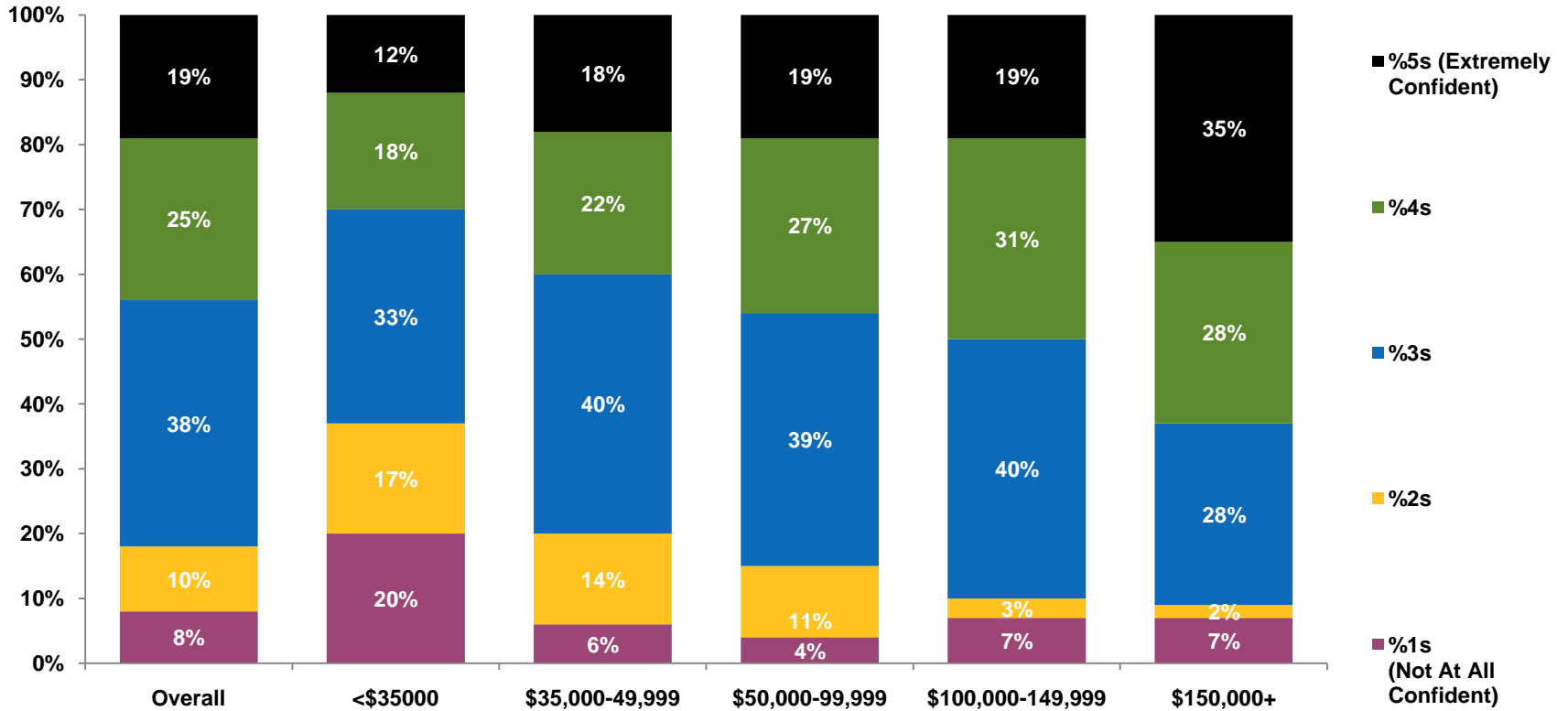
Only 1 in 5 parents (18%) planning to contribute to college expenses are extremely confident in their ability to save for college. African-Americans are less confident than Whites or Hispanics.



Base: Parents of children with some likelihood to attend a form of higher education who are planning to contribute to the cost of college expenses.

Confidence in Ability to Save by Income

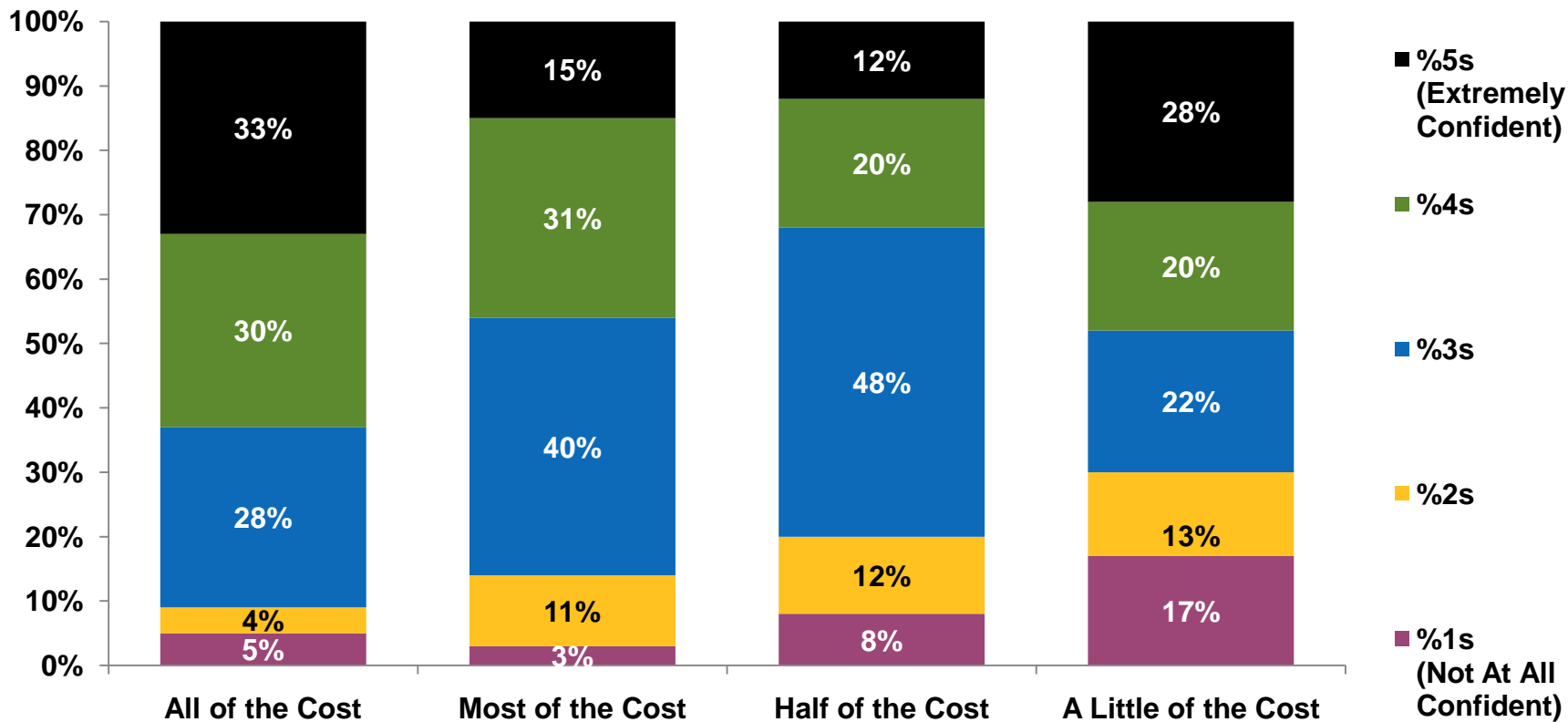
Parents' confidence in their ability to save for college rises with household income. Only 12% of those with incomes below \$35,000 are extremely confident they can save as planned.



Base: Parents of children with some likelihood to attend a form of higher education who are planning to contribute to the cost of college expenses.

Confidence in Ability to Save by Expected Contribution to Expenses

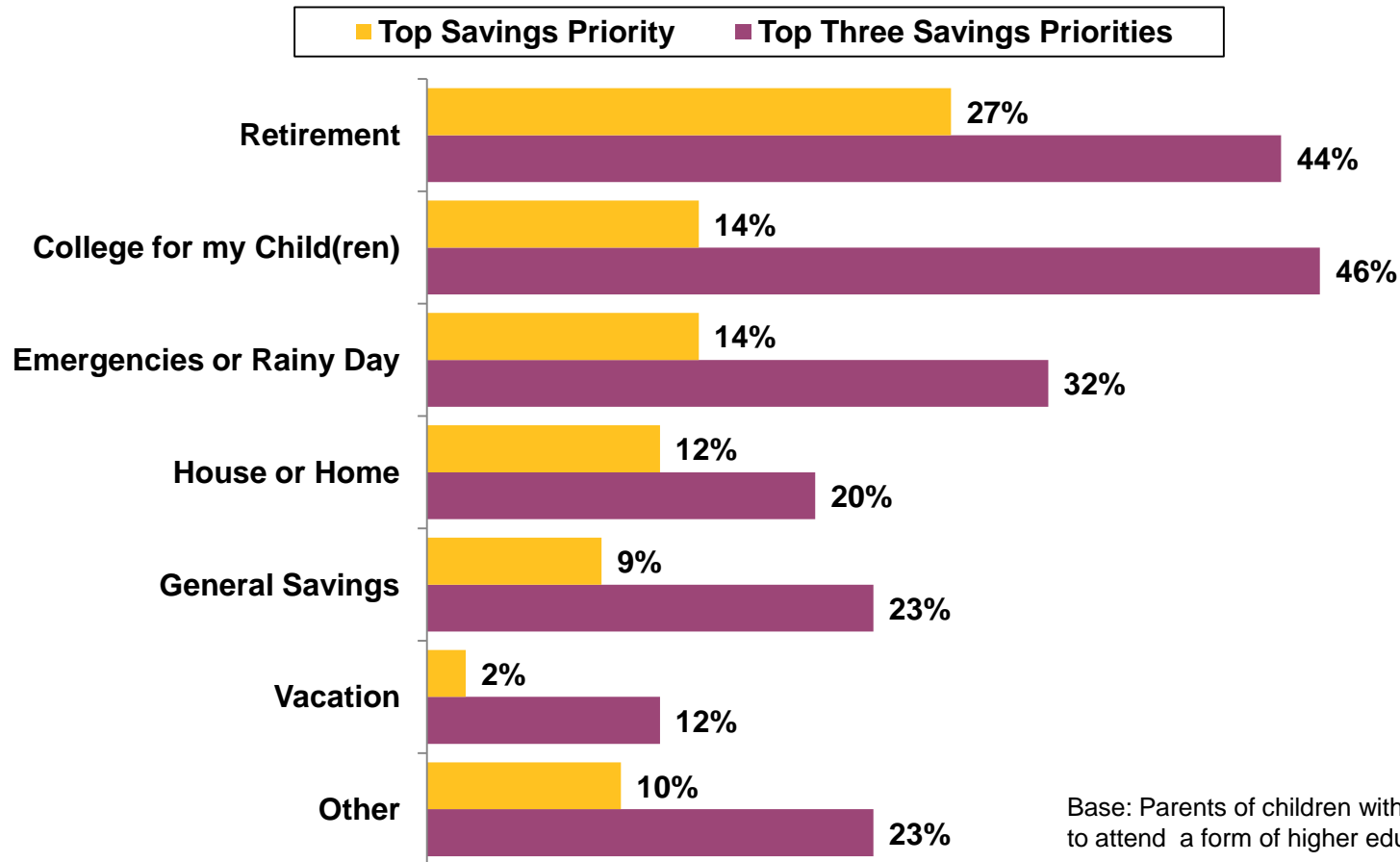
Among parents planning to contribute to their child's college education, those planning to pay all of the costs are most confident in their ability to pay.



Base: Parents of children with some likelihood to attend a form of higher education who are planning to contribute to the cost of college expenses.

Saving Priorities

College savings trail only retirement savings among parents of college-bound children.



Base: Parents of children with some likelihood to attend a form of higher education.

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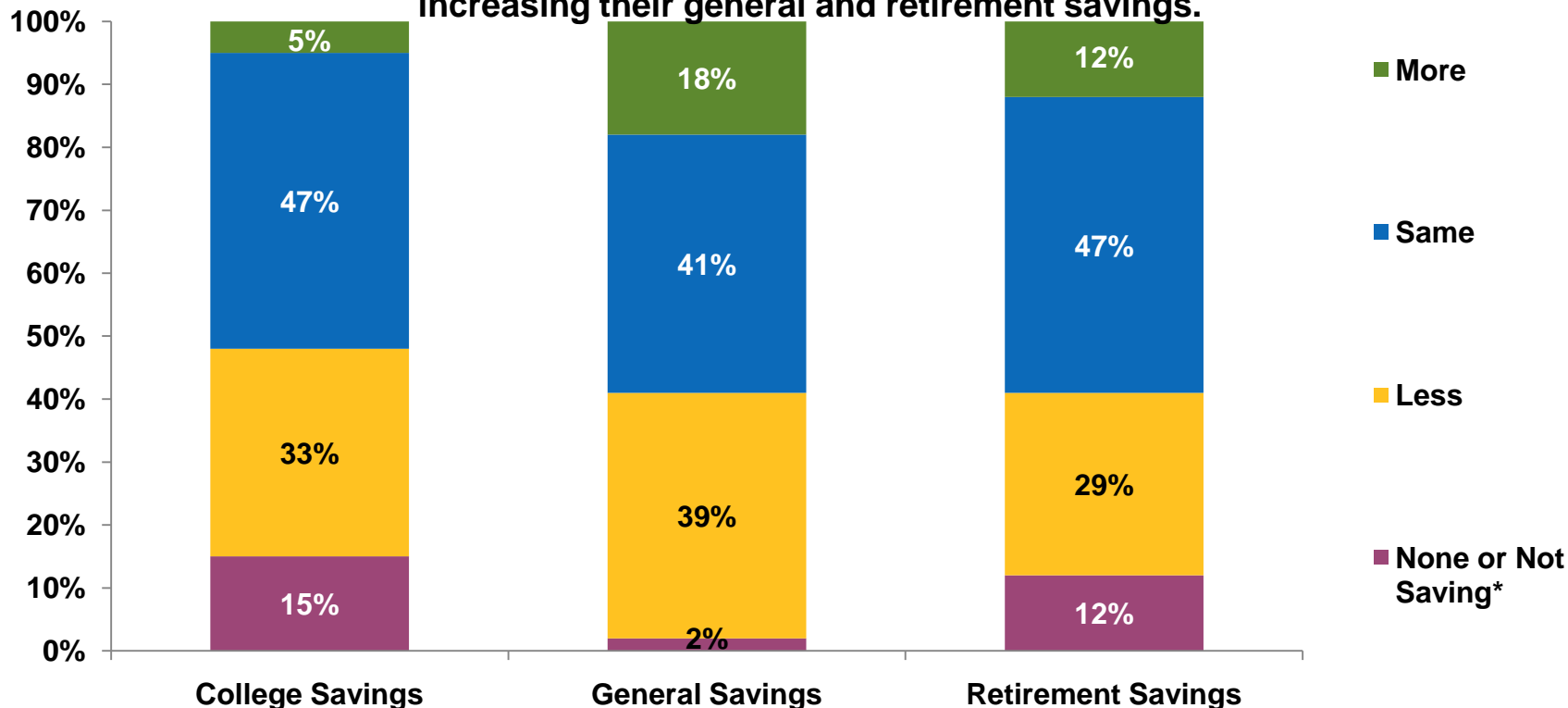
Q: What are you saving for the most right now? ...Saving the second most for now? ...Saving the third most for now?*

*Those who indicated they were not saving when asked what they were saving most for were not prompted to provide second or third savings.

Note: Categories mentioned by less than 10% of participants for top priority and total mentions are not shown. Responses may equal more than 100% due to multiple responses.

Effect of Current U.S. Economic Conditions on Savings

Even during the current U.S. economic crisis, more than half (52%) of parents are saving the same amount or more for college. However, one-third have scaled back their college savings and 15% are not saving at all. Only 5% have increased college savings while more are increasing their general and retirement savings.



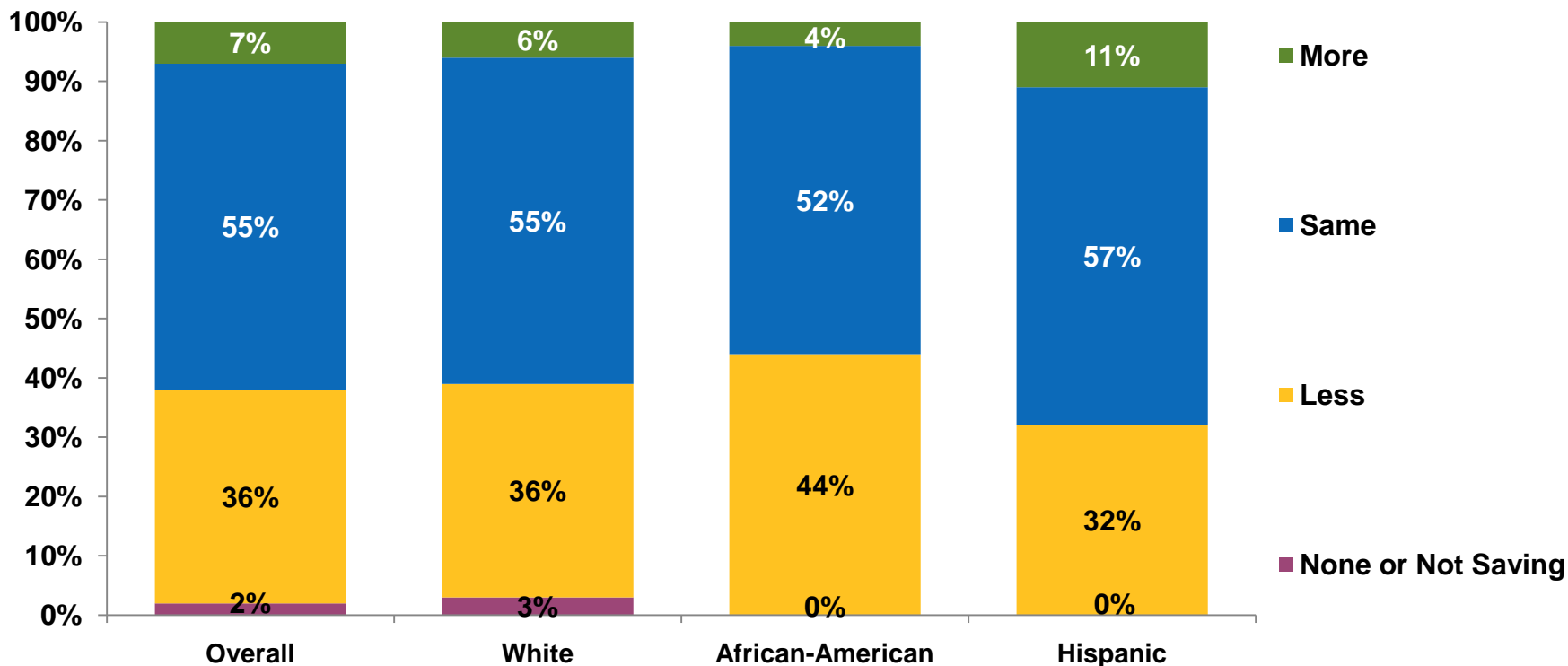
Base: Parents of children with some likelihood to attend a form of higher education.

*None or Not Saving was not read as a response choice but was recorded when volunteered by participants.

Q: Thinking about current U.S. economic conditions, are you putting more, less, or the same amount of money away toward your: College savings? General savings? Retirement savings?

Effect of Current U.S. Economic Conditions on College Savings

Among parents saving for college, African-American parents are most apt to have decreased their savings as a result of current economic conditions.



Base: Parents of children with some likelihood to attend a form of higher education who have saved for their child's college education.

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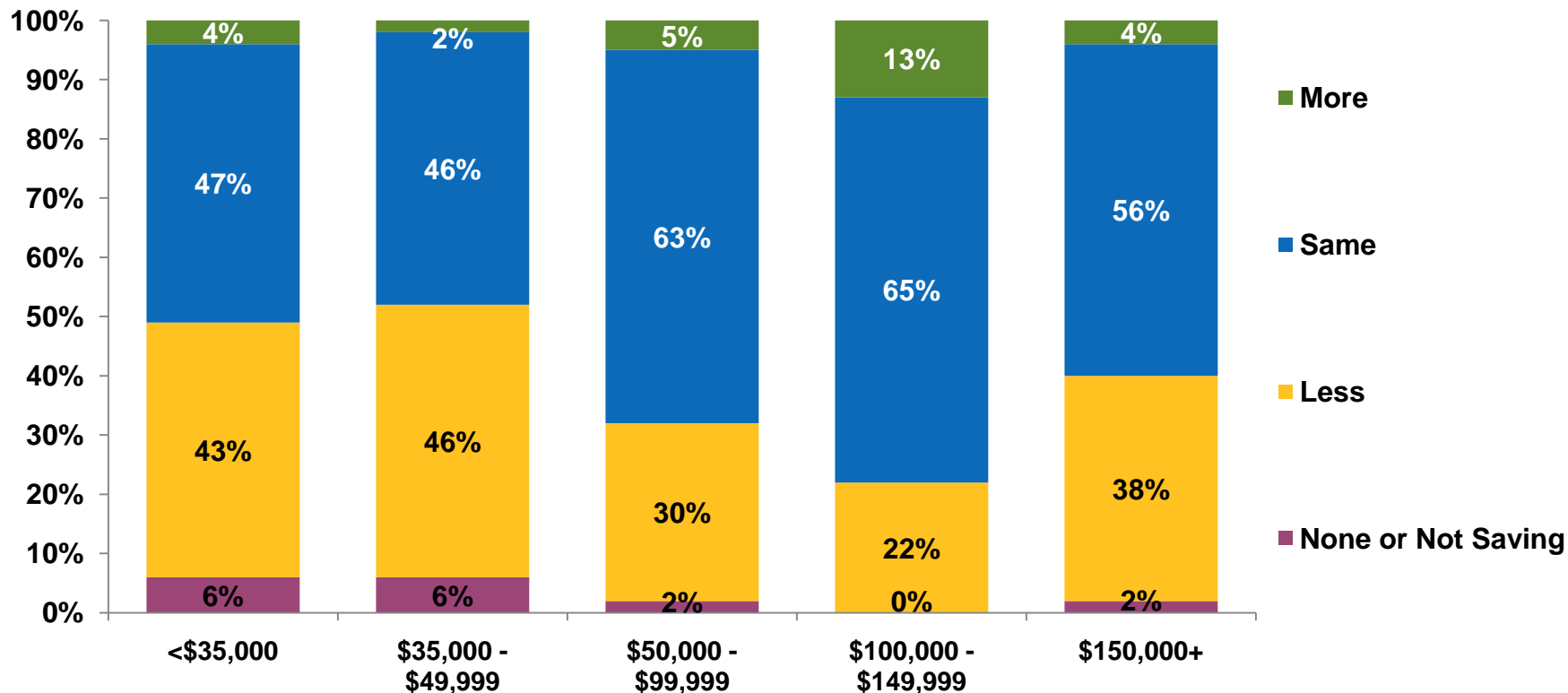
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Q: Thinking about current U.S. economic conditions, are you putting more, less, or the same amount of money away toward your: college savings?

Effect of Current U.S. Economic Conditions on College Savings

Among college savers, those with household incomes below \$50,000 are more apt to have cut savings or not to be saving for college in reaction to the economic crisis.



Base: Parents of children with some likelihood to attend a form of higher education who have saved for their child's college education.

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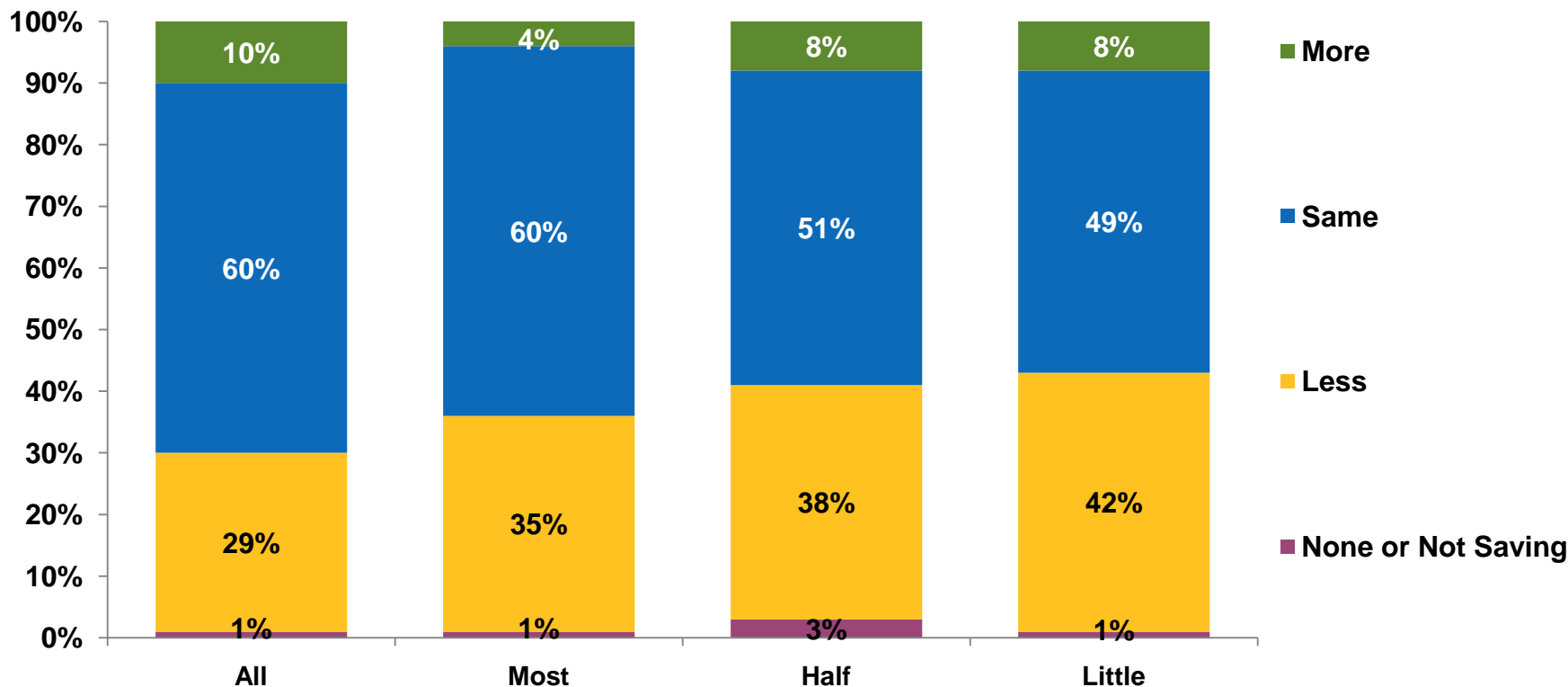
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Q: Thinking about current U.S. economic conditions, are you putting more, less, or the same amount of money away toward your: college savings?

Effect of Current U.S. Economic Conditions on College Savings

Among college savers, the more they intend to contribute to college costs, the more likely they have maintained or increased college savings as a result of the economic crisis.

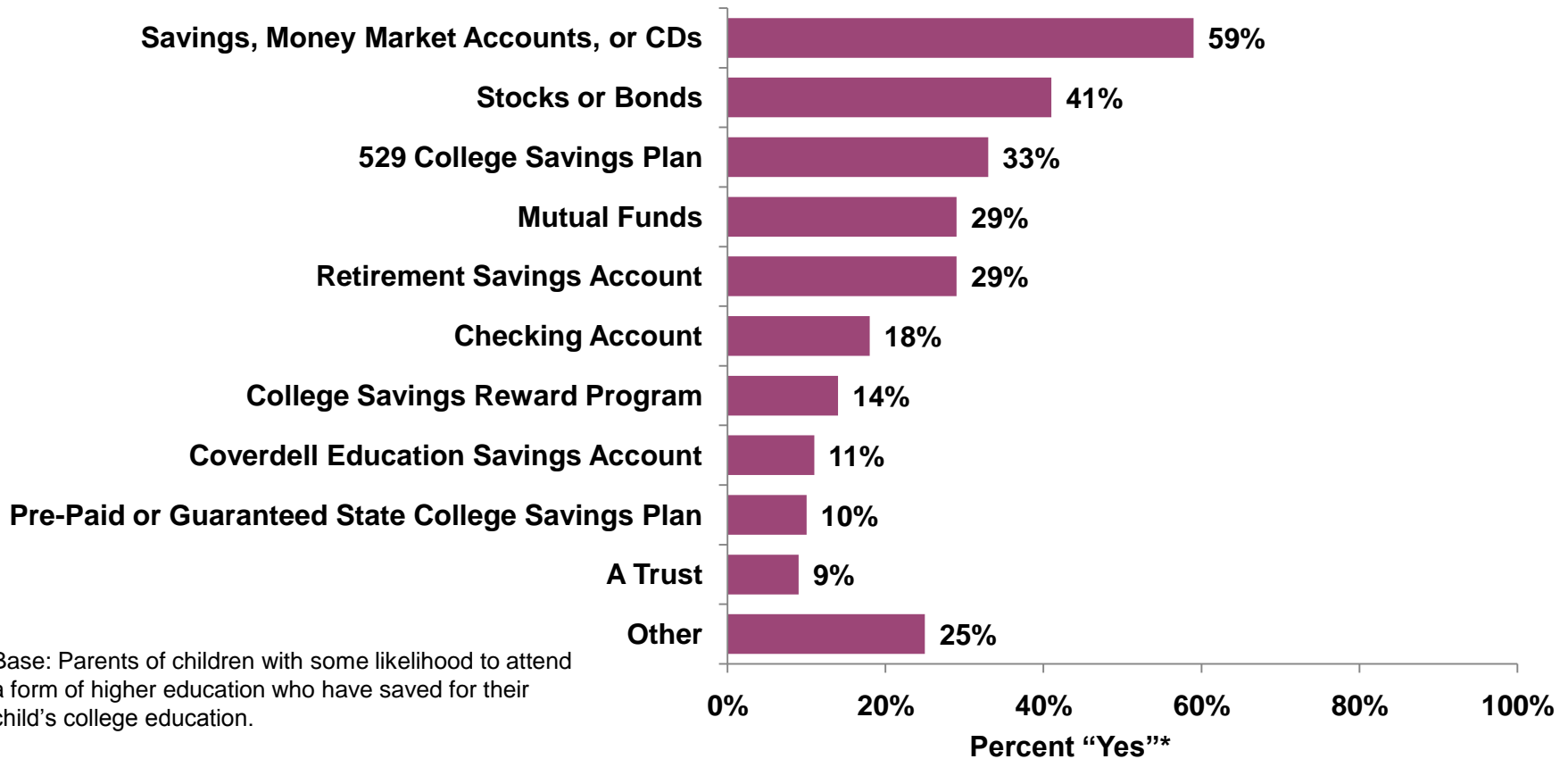


Anticipated Contribution to Child's College Expenses

Base: Parents of children with some likelihood to attend a form of higher education who have saved for their child's college education.

College Education Savings Vehicles

529 plans trail savings, money markets, and CDs, and stocks or bonds as college savings vehicles. One in three savers use 529 plans.



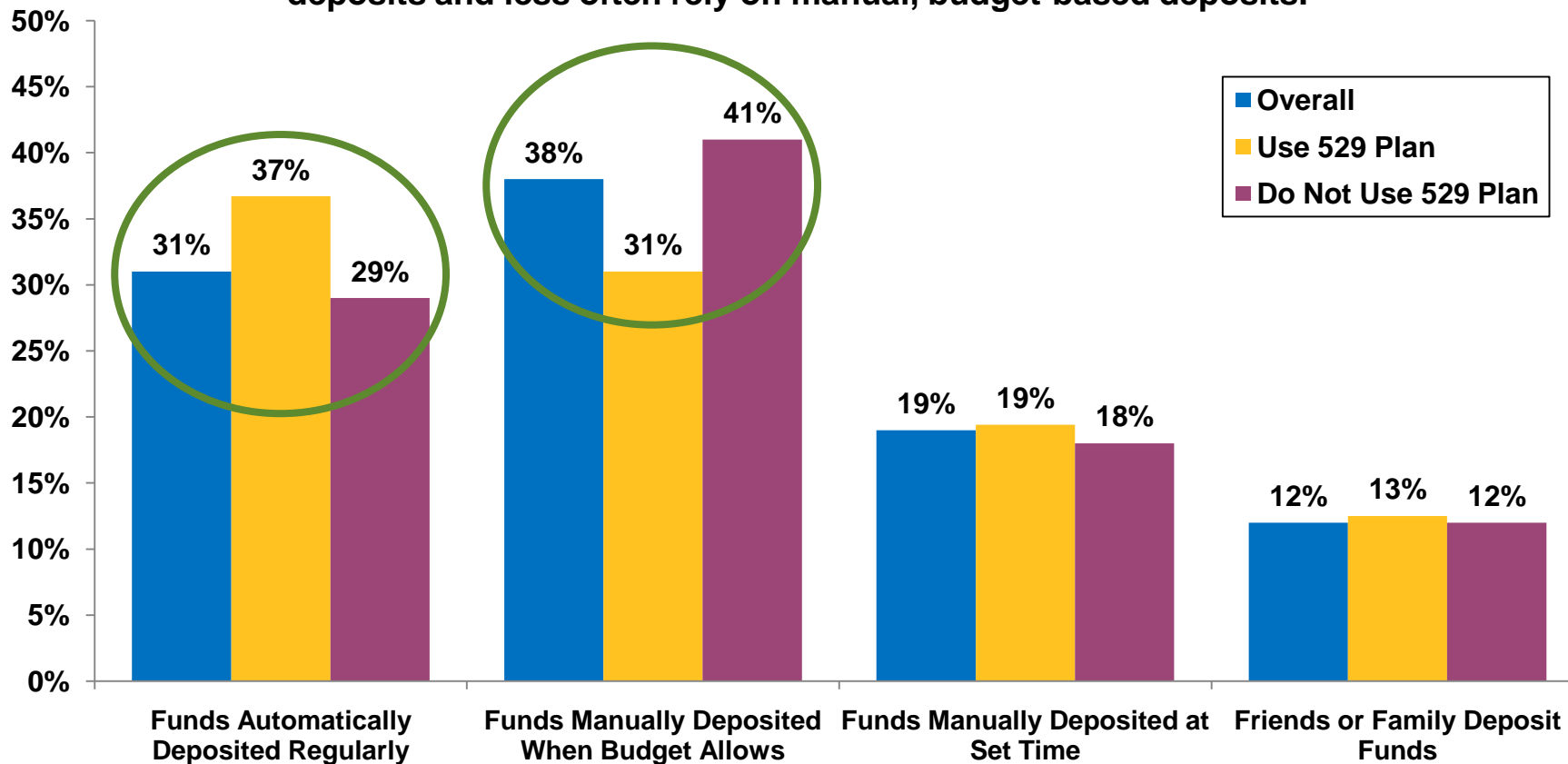
Base: Parents of children with some likelihood to attend a form of higher education who have saved for their child's college education.

*Categories are not mutually exclusive. Responses may equal more than 100% due to multiple responses.

Q: I'm going to read a list of some vehicles that people use to help save for their child's college education. For each please say if you have used it.

529 Plan Users and Non-Users: Primary Contribution Method

Compared to other college savers, 529 plan users are more prone to save via automatic deposits and less often rely on manual, budget-based deposits.



Base: Parents of children with some likelihood to attend a form of higher education who have saved for their child's college education.

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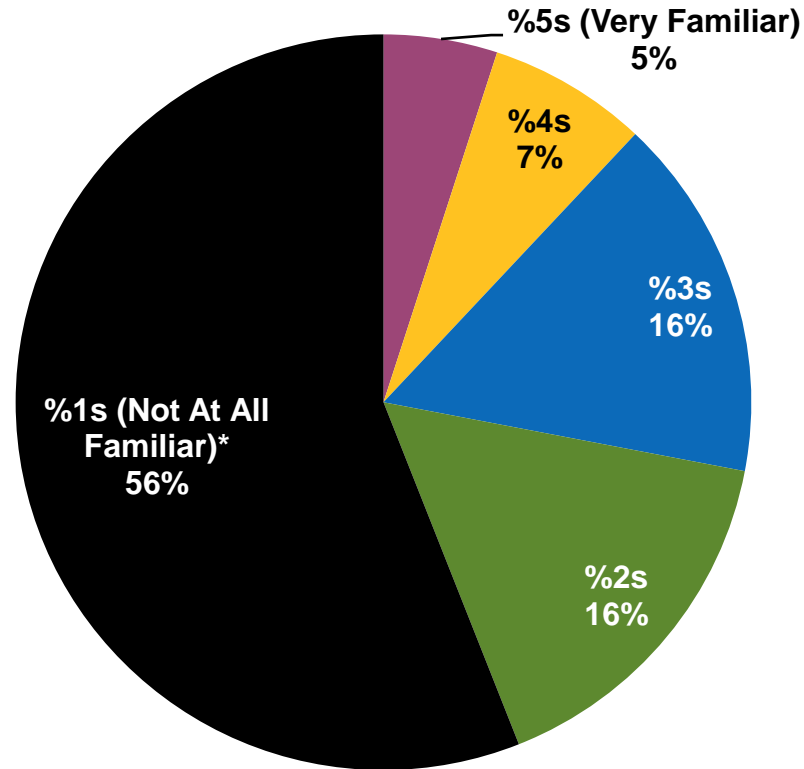
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Q: Which of the following describes the primary way you contribute to college savings funds?

Q: I'm going to read a list of some vehicles that people use to help save for their child's college education. For each please say if you have used it. A 529 college savings plan?

Familiarity with 529 College Savings Plans

Both college savers not using a 529 plan and non-savers have very low familiarity with 529 plans. Only 5% are very familiar with the vehicle and more than one-half have no familiarity at all.



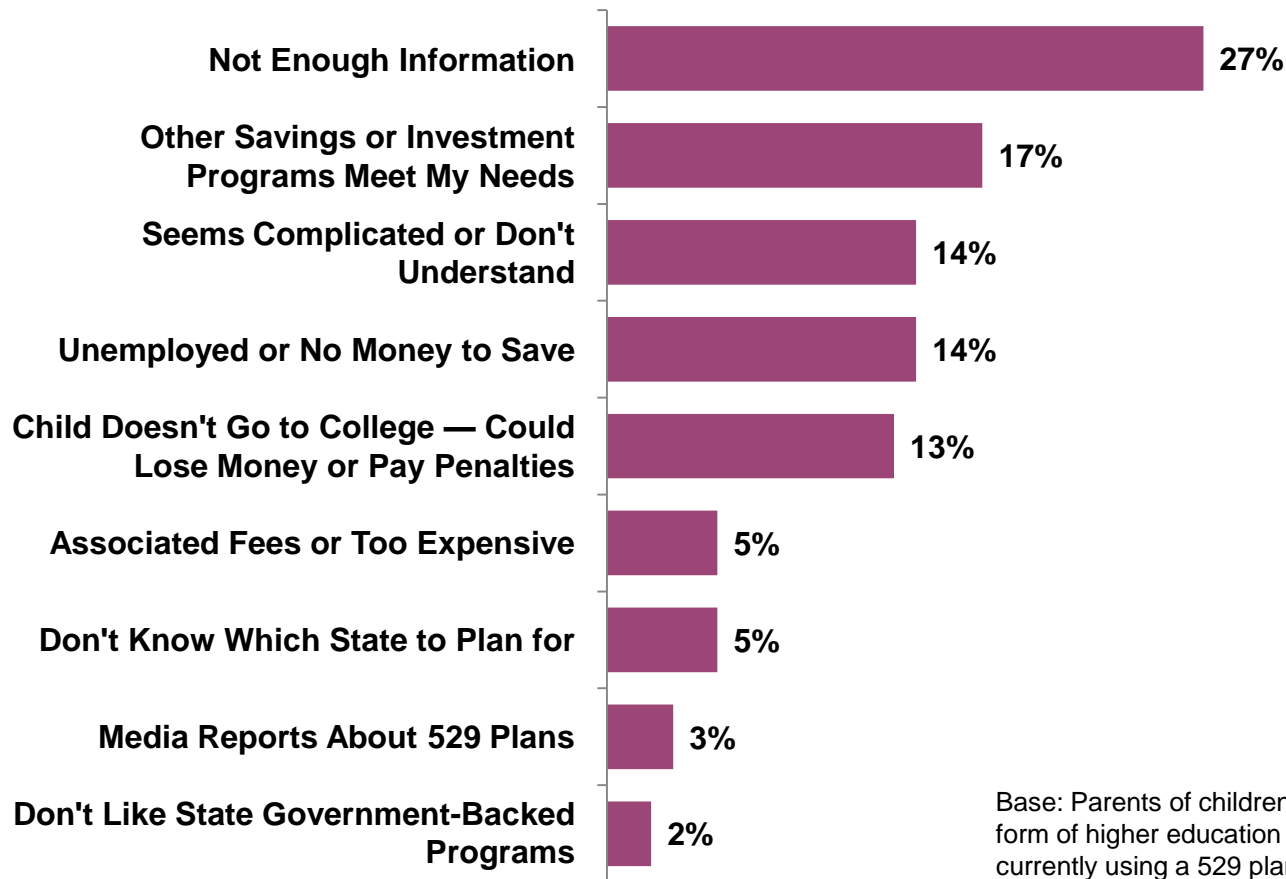
Base: Parents of children with some likelihood to attend a form of higher education who are not saving using a 529 college saving plan or who are not currently saving.

*Includes participants who had never heard of 529 plans or did not know what a 529 plan was.

Q: On a scale of 1 to 5, where 5 means very familiar and 1 means not at all familiar, how familiar are you with 529 college savings plans?

Main Reason for Not Using a 529 College Savings Plan

For college savers, lack of knowledge is the most frequent barrier to using a 529 plan.



Base: Parents of children with some likelihood to attend a form of higher education who are saving for college but not currently using a 529 plan.