



# Costly pursuit: College education and the new American dream

MassMutual's College Planning & Saving Study – Overview

**“ An investment in knowledge  
pays the best interest.”**

**BENJAMIN FRANKLIN**

Behind the headlines about escalating college tuition and burdensome student debt is this fact: from 2006 to 2016, the cost of a college education is up more than 63%<sup>1</sup>. As a result, nearly 70% of graduating seniors leave college with an average of \$30,000 in student loan debt<sup>2</sup>. Still, the investment in a college degree remains a priority and is seen as vital for a successful life, according to many parents and guardians surveyed in the nationwide MassMutual’s College Planning & Saving Study commissioned by Massachusetts Mutual Life Insurance Company (MassMutual). To achieve the American education dream, parents and guardians need access to information on the many avenues of saving and investing that can place higher education within financial reach.

<sup>1</sup> Source: Bureau of Labor Statistics, U.S. Department of Labor, The Economics Daily, College tuition and fees increase 63 percent since January 2006.

<sup>2</sup> Source: Institute for College Access & Success: Project on Student Debt. Student Debt and the Class of 2015 11th Annual Report, Oct. 2016.

# Revealing Details

With more than 165 years of helping families protect their futures, MassMutual has a wealth of knowledge to help parents and guardians plan how to save, invest, and prepare for those college expenses. To provide American families with information and guidance needed to make sound financial decisions, they commissioned New American Dimensions research firm to conduct MassMutual's College Planning & Saving Study. The multicultural research firm talked with parents and guardians of children ages 5 to 15 from across the U.S., with a special focus on certain ethnic backgrounds, to help MassMutual gain a deeper understanding of how ethnicity and income affect family decisions around college planning and saving.

“I want my children to get an excellent education that will enable them to have well-paying careers without being saddled with excessive student loan debt.”

## Key to Success

“My kids have to graduate from college; that's their job,” commented an African American parent from California. With two-thirds of the parents or guardians surveyed being college graduates themselves, it's not surprising that over 80% of them see a college degree as the key for their children to open the doors to opportunity, establish a career, and achieve financial security. However, the approach to paying for college varies based on the parent or guardian's cultural background, although most are reluctant to have their child take out student loans.

For example, Asian-Indian American parents believe it's their duty to pay for college while their child focuses on studying. Chinese American parents will use their savings, but expect their children will contribute, too. African American parents are open to work-study grants. Korean American parents have high expectations of their children receiving scholarships. And Hispanic parents consider community college as an affordable option.





## Adding up Savings, Coming up Short

How expensive will college be? African American and Asian-Indian American parents are most likely to have calculated how much they should save. Most of them started saving before their child turned ten years old, although many believe they should have started earlier. At the top of the list with the highest bank balances are Chinese American parents who have saved an average of \$29,000 towards their child's education. Korean American parents have the lowest average college savings balance at roughly \$17,000. From the high end of parents' savings, to those with little to no savings, one-third of the parents overall have under \$10,000 saved and another 17% overall haven't begun to save at all.

Parents and guardians planning to contribute less than one-fourth of college costs say they are on track to reach their savings target. However, the good intentions of 53% of parents and guardians who want to pay at

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### Surveying the participants:

Parents/guardians ages 30–64  
Annual income at least \$50,000+  
With children ages 5–15

### Two-phase study:

1. Mini-focus groups in-language
2. National online survey

See Methodology section for details.

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### Average College Savings by Ethnicity

Chinese	\$29,219
Asian Indian	\$25,247
Caucasian/White	\$19,045
African American/Black	\$18,205
Hispanic/Latino	\$17,738
Korean	\$17,343

least half of tuition costs fall short. Only half of those surveyed are saving enough to make it happen. No matter how much they have saved, if the tuition bill arrived today or at any point in the future, the majority of parents and guardians fear that college will not be affordable.

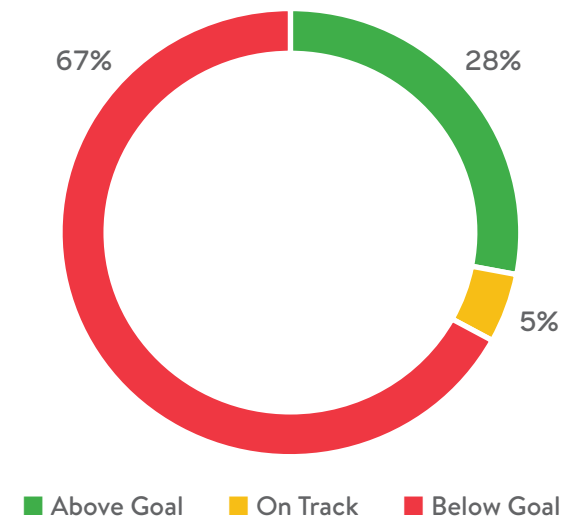
So how will they pay the bill? Nearly half (46%) of all parents are looking to college-sponsored scholarships, and among some groups, the expectation is even higher. For example, 58% of Korean American parents are planning to rely on scholarships. Parents and guardians are also considering federal aid programs like Pell Grants, state-sponsored saving accounts, and contributions from their children working a part-time job.

However, there is a seemingly insurmountable divide between intent and reality, even when it comes to scholarships and other assistance. For example, facing tuition of \$20,000 a year, a full-time undergraduate student at a public

four-year school who receives an average of \$5,750 in scholarships and grants must still cover more than \$14,000 in tuition, room, and board costs.<sup>3</sup> Other tuition options include using personal savings; beginning at a two-year college and then transferring to a four-year university; and taking out a student loan, which ranked near the bottom of the list of considerations. Just 24% of parents and guardians plan on having their child borrow money for college.

The Institute for College Access & Success, Student Debt and the Class of 2015 Annual Report<sup>4</sup> shows 68% of graduates have student debt with the average loan balance of \$30,000. Students earning advanced degrees, medical degrees for instance, leave school with three to four times that balance at \$75,000 to \$100,000.

### How much do you intend to contribute financially to your child's college education?



Parents intend to contribute more for their children's college expenses (between 50%–70%), but are trailing behind on their savings goal.

<sup>3</sup> Source: Debt.org: Scholarships & Grants for College Students, 2013.

<sup>4</sup> Source: Institute for College Access & Success: Project on Student Debt. Student Debt and the Class of 2015 11th Annual Report, Oct. 2016.





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## Priorities and Financial Demands

Household bills, saving for retirement, saving for college — parents and guardians are juggling demanding financial responsibilities. Those surveyed say paying for college is their first or second priority, but less than half have met with a financial professional to develop a strategy. About half of those surveyed are using the Internet to search for answers. They are also using social media sites and taking part in community events to learn how to pay for college. “When I go online, the college website links me to other information, but the challenge is understanding the financials of it — books, tuition, etc. What does it actually cost?” asked one California Hispanic parent.

The abundance of information and resources online can be overwhelming. One parent summed it up by saying the Internet provided an overall picture, but “I need one-on-one kind of counseling.” A clear, consolidated source with easily accessible and understandable information would prove most helpful to parents and guardians.

## The First Steps to Your Financial Future

The goal of financing a college education requires an investment now to turn dreams into reality. Begin with a clear picture of family finances. Identify priorities, prepare for the unexpected, and determine goals.

An independent financial professional can offer an analysis of family finances and suggest changes. Include retirement savings and college savings in the financial picture. Time invested in knowing and trusting an experienced financial professional will pay off. Working together to formulate a strategy will benefit the family.

It’s possible to achieve a financially secure future that includes a retirement that works, maintains independence for children, and opens the doors to a happy, prosperous life for a college-educated child. The key is to plan today. Visit [www.massmutual.com](http://www.massmutual.com) or contact a financial professional to learn more.

# Methodology

MassMutual's College Planning & Saving Study, a two-phase research project, examines the attitudes and needs of families as related to education planning and funding. The study is intended to bring a deeper understanding of the importance of higher education and how factors like ethnicity and income affect family decisions and behaviors. MassMutual's College Planning & Saving Study will help MassMutual provide American families with the information and guidance they need to make responsible financial decisions.

MassMutual's College Planning & Saving Study was conducted for MassMutual by New American Dimensions, LLC, in December 2016. The first phase of research, conducted in English and in-language, included 22 mini-focus groups with five key ethnic groups (Hispanic/Latino, African American/Black, Chinese American, Korean American, and Asian-Indian American) in the metropolises of Los Angeles (November 30 to December 1, 2016), New York City (December 5-6, 2016), and San Francisco (December 20, 2016).

The second phase, a 20-minute online questionnaire, was conducted between December 13 and December 30, 2016. The survey, conducted in English, comprised 1,750 interviews. Within the total number of surveys, 150 completes were obtained for each of the five specific ethnic segments.

Both phases of the research were conducted with men and women who are 30–64 years old with children ages 5–15 for whom they are financially responsible. Qualifying respondents also meet a minimum household income requirement (\$50,000+) and participate in financial decision-making for their household. Results for the total were weighted to the 2010 U.S. Census distributions for ethnicity to be representative of American families in this age and income bracket.

## Live Mutual



Visit the MassMutual College Savings Calculator at <https://www.massmutual.com/planning/calculators/college-savings-calculator>.

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