

Education Savings Habits and Preferences of Potential Washington 529 Savers



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November 2022

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Executive Summary

In November 2021, WA529 surveyed potential 529 savers to learn more about their education savings habits and preferences. For the purpose of this survey, we define potential 529 savers as individuals with children or grandchildren 18 years and younger (students) who are not currently saving with a WA529 plan (GET or DreamAhead).

The survey was distributed through a link in SmartHealth, Washington State's voluntary wellness program for PEBB medical plan subscribers that provides both health and financial wellness education and initiatives. We collected information anonymously from potential 529 savers, which may include individuals that already have a 529 account with an out-of-state plan. Survey responses were based on the respondent's youngest student.

WA529 received 255 completed survey responses which is less than one percent of the SmartHealth users who accessed their account during the period the survey was open. Due to the low response rate, the survey findings cannot be generalized. However, the findings are an important source of information and can be utilized by WA529 to help inform targeted marketing and outreach efforts and identify opportunities to improve or enhance services and program features.

Key Findings:

- Over half of respondents (56%) said it is very important to absolutely essential to save for their youngest student's higher education compared to other major expenses. Of those respondents, forty-five percent (45%) are not currently saving.
- More than half of respondents (54%) whose youngest student is 15 to 18 years old are currently saving for higher education expenses. Forty-four percent (44%) of respondents whose student is four years and younger are currently saving.
- Respondents whose youngest student is of elementary (64%) or middle school (61%) age place higher importance on saving for higher education expenses than saving for other expenses. Respectively, only thirty-seven percent (37%) and forty-three percent (43%) of those respondents are currently saving.

WA529, a division of the Washington Student Achievement Council, operates two 529 college savings plans: The Guaranteed Education Tuition (GET) Program and the DreamAhead College Investment Plan (DreamAhead).

- GET is a 529 prepaid college tuition program.
- DreamAhead is an investment-based 529 savings plan.

- Most respondents (70%) said they are at least slightly familiar with 529 college savings plans. Over half (64%) are at least slightly familiar with GET and thirty-three percent (33%) are at least slightly familiar with DreamAhead.
- Half (50%) of respondents said they are at least moderately likely to save for their youngest student using a 529 college savings plan.
- Sixty-three percent (63%) of respondents said they are at least slightly likely to save for their youngest student's higher education expenses with one of Washington's 529 plans. Of these, over half (62%) said they are interested in both GET and DreamAhead.
- Not having extra money to save for higher education expenses was the most common reason (21%) why respondents who are not extremely likely to save using a 529 plan have not opened an account.

These findings indicate opportunities for WA529 to increase awareness of both plans and share information on how the plans work. This is especially true of DreamAhead, which had low familiarity among survey respondents. Additionally, the survey responses indicate there may be a need to increase accessibility through enhanced program features, community-based partnerships, and education about the financial benefits of saving with a 529 plan.

Why is it important to hear from potential savers?

Hearing from potential 529 savers, which we define as individuals with children or grandchildren 18 years and younger (students) who are not currently saving with a WA529 plan (GET or DreamAhead), allows us to learn more about their education savings habits and preferences. The findings are an important source of information that helps inform targeted marketing and outreach efforts and identify opportunities to improve or enhance services and program features.

How was the survey conducted?

WA529 conducted a web-based survey in collaboration with other divisions within the administering agency, the Washington Student Achievement Council (WSAC). The survey was distributed through a link in SmartHealth, Washington State's voluntary wellness program. We collected information anonymously from potential 529 savers, which may include individuals who already have a 529 account with an out-of-state plan. Survey responses were based on the respondent's youngest student.

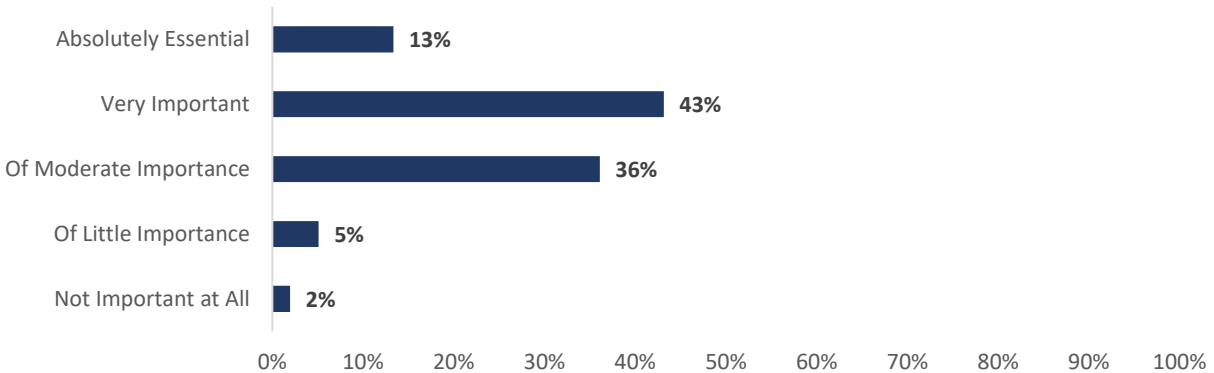
About 79,982 people accessed their SmartHealth account at some point during the time the survey was open (November – December 2021). A total of 1,046 people participated in the SmartHealth survey activity, though we received just 485 survey responses, of which 215 did not meet the intended audience requirements. Of those 215 non-qualified respondents, 124 responded that they have an account with GET or DreamAhead. The other 91 non-qualified respondents said they did not have a student or their youngest student was older than 18 years when asked about the age of their youngest child or grandchild. An additional 15 responses were received but not completed.

This report examines the 255 completed responses¹ which is less than one percent of the SmartHealth users who accessed their account during the period the survey was open. Due to the low response rate, the survey findings cannot be generalized. However, the findings are an important source of information and can be utilized by WA529 to identify opportunities to improve or enhance services and program features.

¹ Response size for individual questions may be less than 255. If so, total response size will be indicated in the chart notes.

How important is it to save for higher education compared to saving for other major expenses?

Figure 1. Over half of respondents said it is very important to absolutely essential to save for their youngest student's higher education compared to other major expenses.

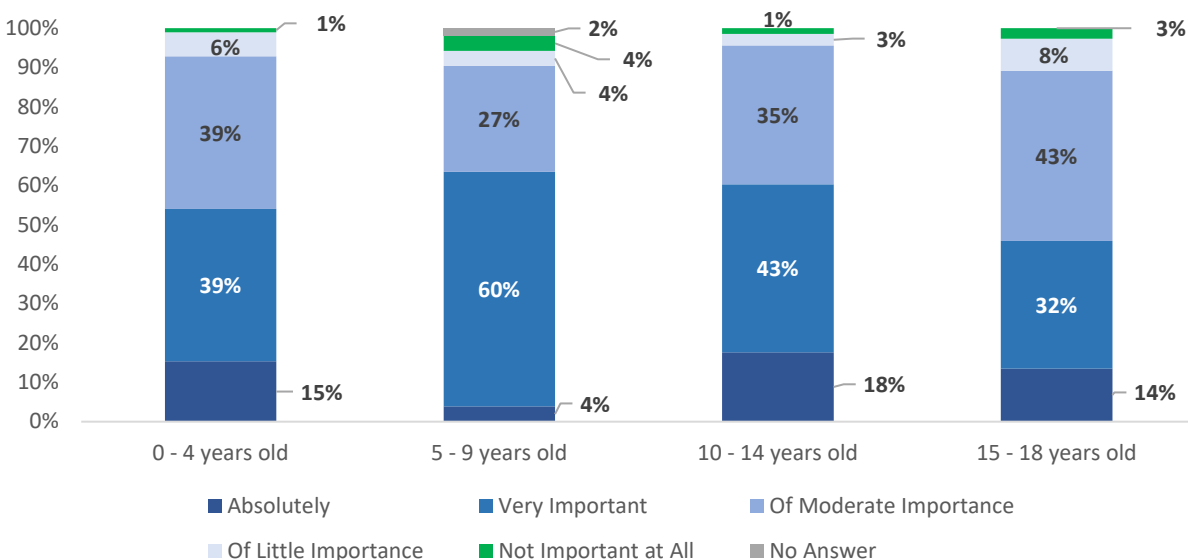


Source: Washington Student Achievement Council, WA529 Analysis of Washington College Savings Plan Survey, November 2021.

Of the people who responded to the survey, fifty-six percent (56%) said saving for their student's future higher education expenses is very important to absolutely essential compared to saving for other major expenses (figure 1).

The student's age appears to influence the level of importance a respondent places on saving for higher education compared to other expenses.

Figure 2. Respondents with elementary and middle school age students appear to place higher importance on saving for higher education expenses than others.



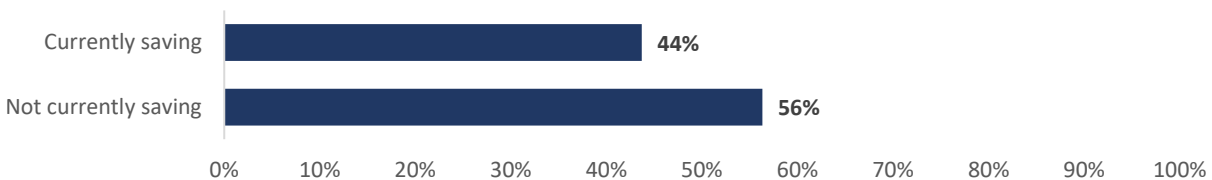
Source: Washington Student Achievement Council, WA529 Analysis of Washington College Savings Plan Survey, November 2021.

The findings indicate that respondents with elementary and middle school age students place higher importance on saving for higher education expenses than others. Sixty-four percent (64%) of those whose youngest student is between five and nine years old and sixty-one percent (61%) of those whose youngest student is ten to 14 years old responded that saving for higher education expenses is very important to absolutely essential compared to saving for other expenses.

Comparatively, fifty-four percent (54%) of those whose youngest student is four years old and younger and forty-six percent (46%) of those whose youngest student is between 15 to 18 years old said they consider saving for higher education expenses very important to absolutely essential (figure 2).

Are respondents currently saving for their youngest student’s future higher education expenses?

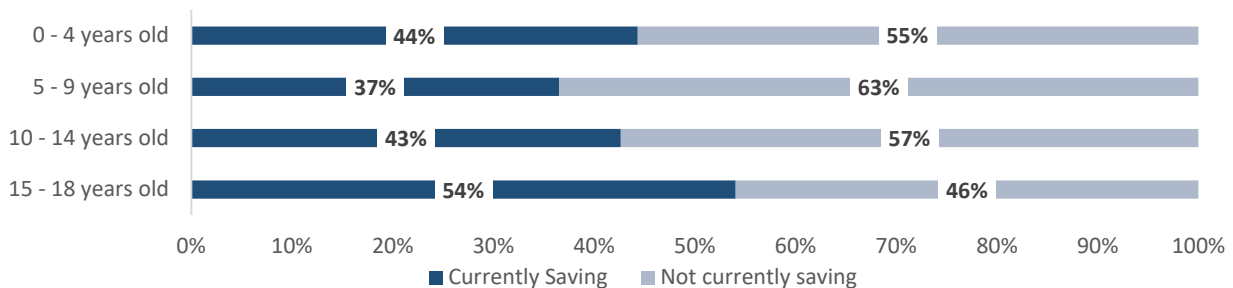
Figure 3. Over half of respondents said they are not currently saving for their youngest student’s higher education expenses.



Source: Washington Student Achievement Council, WA529 Analysis of Washington College Savings Plan Survey, November 2021.

When asked if they are currently saving for their youngest student’s future higher education expenses, fifty-six percent (56%) said they are not currently saving (figure 3). Of those that are not currently saving, forty-five percent (45%) said saving for their youngest student’s future higher education expenses is very important to absolutely essential. Forty-four percent (44%) of those not currently saving said it is of moderate importance.

Figure 4. Most respondents (54%) whose youngest student is between 15 to 18 years old are currently saving for higher education expenses.



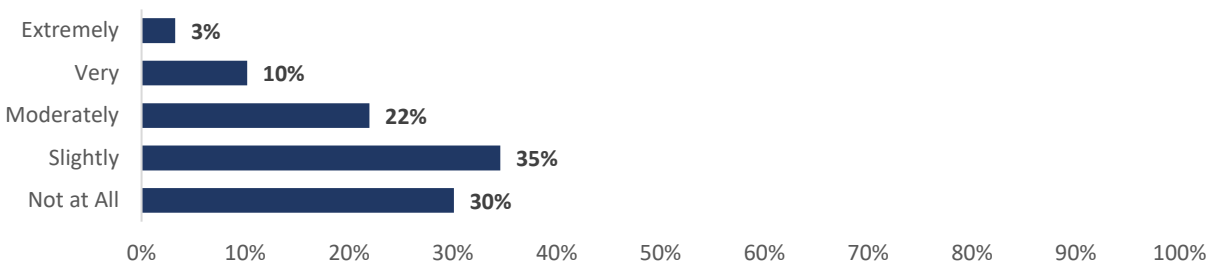
Source: Washington Student Achievement Council, WA529 Analysis of Washington College Savings Plan Survey, November 2021.
 Note: One percent of those with students 0-4 years old did not state whether they are currently saving or not.

When looking at responses by student age, we find that fifty-four percent (54%) of respondents with students 15 to 18 years old are currently saving. This compares to just forty-four percent (44%) of those with students four years old and younger, thirty-seven percent (37%) with students five to nine years old, and forty-three percent (43%) with students ten to 14 years old who are currently saving (figure 4).

Many of those who are not currently saving said that they would be likely to save for their youngest student's higher education expenses at some point in the future. Forty-three percent (43%) of those not currently saving said they are very likely to extremely likely to save, and fifty percent (50%) said they are slightly to moderately likely to save.

How familiar are respondents with 529 plans?

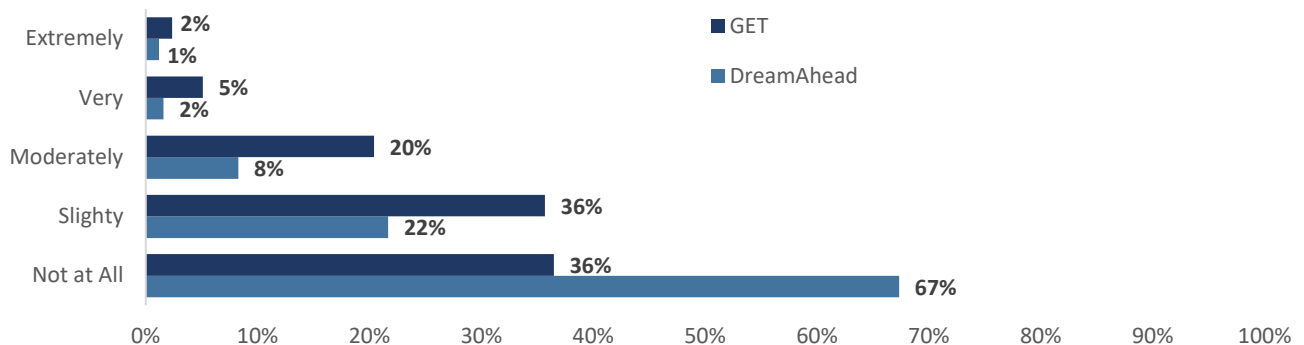
Figure 5. Most respondents (70%) said they are at least slightly familiar with 529 college savings plans.



Source: Washington Student Achievement Council, WA529 Analysis of Washington College Savings Plan Survey, November 2021.
Note: 246 responses.

When asked if they are familiar with 529 college savings plans, about one-third (35%) of respondents said they are at least moderately familiar, another third (35%) are only slightly familiar, and the final third (30%) are not at all familiar with the plans (figure 5).

Figure 6. Nearly two-thirds of respondents (64%) said they are at least slightly familiar with GET. One-third (33%) are at least slightly familiar with DreamAhead.



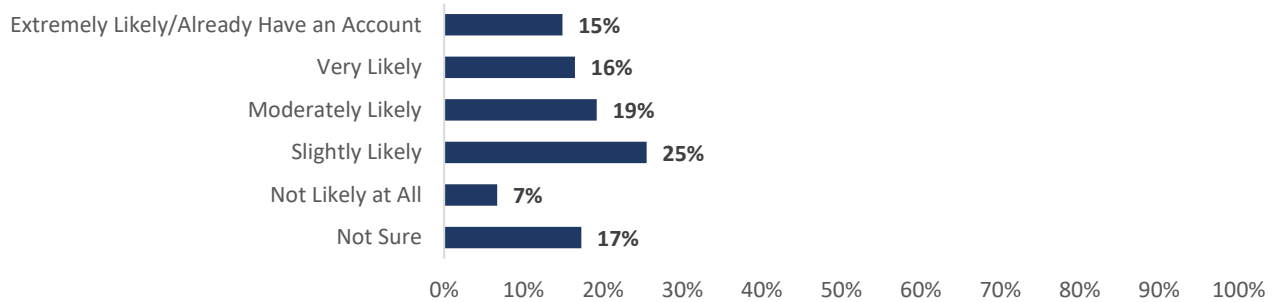
Source: Washington Student Achievement Council, WA529 Analysis of Washington College Savings Plan Survey, November 2021.

When asked if they are familiar with Washington State’s 529 college savings plans, over half of respondents (64%) said they are at least slightly familiar with GET and thirty-three percent (33%) said they are at least slightly familiar with DreamAhead (figure 6). For GET, seven percent (7%) said they are very to extremely familiar, and an additional twenty percent (20%) are moderately familiar. Thirty-six percent (36%) said they are not at all familiar with GET.

For DreamAhead, three percent (3%) said they are very to extremely familiar, and an additional eight percent (8%) are moderately familiar. Sixty-seven percent (67%) said they are not familiar with DreamAhead at all.

What is the likelihood of saving with a 529 college savings plan?

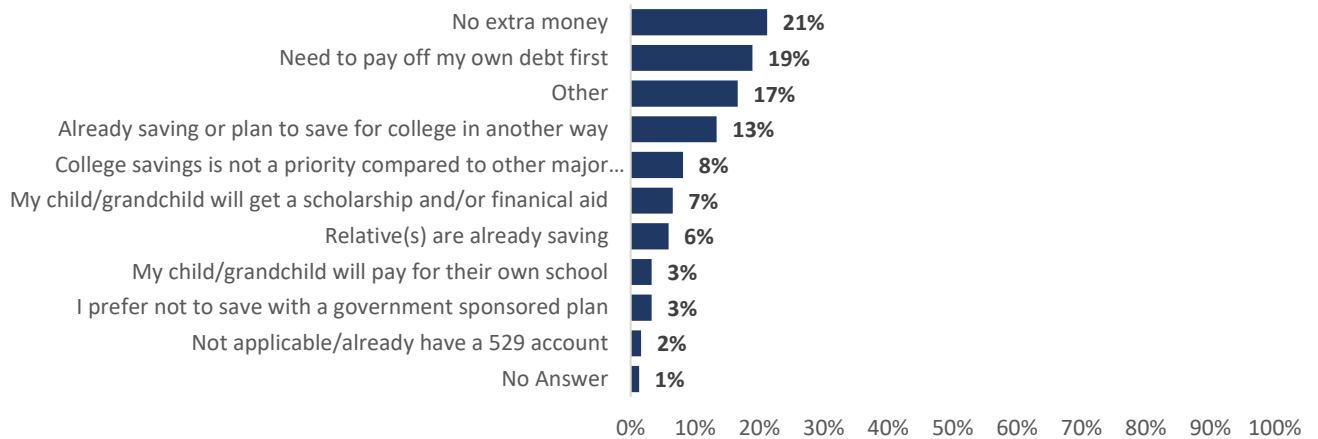
Figure 7. Half of respondents said they are at least moderately likely to save for their youngest student using a 529 college savings plan.



Source: Washington Student Achievement Council, WA529 Analysis of Washington College Savings Plan Survey, November 2021.

Half of respondents (50%) said they already save or are at least moderately likely to save for their youngest student’s future higher education expenses using a 529 college savings plan (figure 7). Twenty-five percent (25%) said they are slightly likely to save using a 529 plan, while seven percent (7%) said they are not at all likely. Some respondents (17%) said they are not sure if they will save using a 529 plan.

Figure 8. Not having extra money to save for higher education expenses was the most common reason (21%) why respondents haven't opened a 529 account.

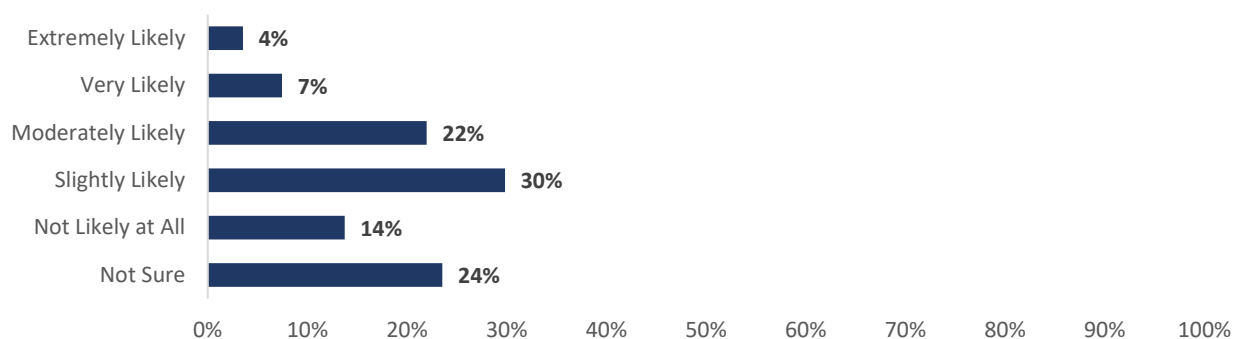


Source: Washington Student Achievement Council, WA529 Analysis of Washington College Savings Plan Survey, November 2021.
 Note: 307 reasons provided by 217 respondents.

We asked respondents who do not yet have a 529 account and are not extremely likely to save with a 529 plan why they have not opened a 529 account. The most common reason (21%) provided was lack of extra money to save for higher education expenses (figure 8). The need to pay off their own debt first was the second most common reason (19%), followed by 'Other' (17%). The most common comments (53%) from those who responded 'Other' were related to unfamiliarity with 529 plans and the need for more information.

What is the likelihood of saving with one of Washington's 529 plans?

Figure 9. One-third (33%) of respondents said they are at least moderately likely to save for their youngest student's higher education expenses with one of Washington's 529 plans.



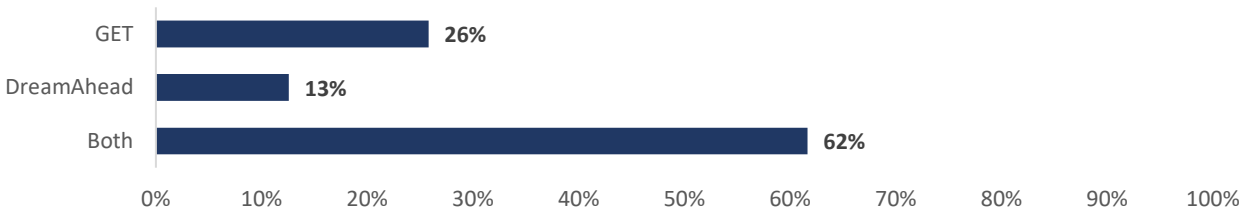
Source: Washington Student Achievement Council, WA529 Analysis of Washington College Savings Plan Survey, November 2021.

Thirty-three percent (33%) of respondents said they are at least moderately likely to save for their youngest student's higher education expenses with GET or DreamAhead (figure 9). Thirty percent (30%) said they are slightly likely, while fourteen percent (14%)

said they are not likely at all to save with one of Washington’s 529 plans. Some respondents (24%) said they are not sure if they would save with GET or DreamAhead.

The most common reason (58%) why respondents said they would not be likely to save with GET or DreamAhead is because more information is needed about the plans and the options available, as well as clarity around the benefits of having a Washington state 529 plan over an out-of-state plan.

Figure 10. Of the respondents who are at least slightly likely to save with one of Washington’s 529 plans, most (62%) are interested in both GET and DreamAhead.



Source: Washington Student Achievement Council, WA529 Analysis of Washington College Savings Plan Survey, November 2021. Note: 159 responses.

We asked respondents who indicated they are at least slightly likely to save with one of Washington’s 529 plans which plan they would be most likely to participate in – GET or DreamAhead. Most respondents (62%) said they are interested in both plans (figure 10).

Conclusion

Hearing from potential 529 savers allows us to learn more about their education savings habits and preferences. While the findings of this survey cannot be generalized due to the low response rate, they do provide valuable insight into how families perceive the importance of saving for future education expenses for their child or grandchild and their familiarity with Washington's 529 plan options.

Of those who responded to the survey, over half said it is important to save for their student's future higher education expenses and they would be likely to do so with a 529 plan. Of those, two-thirds said they are at least slightly likely to save with one of Washington's 529 plans and are interested in both GET and DreamAhead.

Despite more than half of respondents expressing the importance of saving for their student's future, their likeliness to save with a 529 plan, and their interest in Washington's 529 plans, less than half are familiar with both college savings options offered by Washington state. The low familiarity with DreamAhead (33%) indicates an opportunity to enhance awareness of this plan.

The most common reasons for not saving for future higher education expenses include lack of extra funds to put into a 529 account and inadequate knowledge about 529 plans, including the benefits of a Washington State plan. This may indicate the need to increase accessibility through enhanced program features, community-based partnerships, and education about the financial benefits of saving with a 529 plan.

These and future survey findings provide key insights that will guide WA529 in establishing targeted strategies for improving or enhancing services and program features for both GET and DreamAhead with the goal of making higher education affordable and accessible to all residents of the state of Washington.