

COLLEGE INVESTMENT PLAN  
STRATEGIC DISCUSSION  
DECEMBER 2018



KENNETH A. SIMPLER  
STATE TREASURER

# Agenda

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1. Update on Marketing Firm
2. Sallie Mae's "*How America Pays for College*" Findings
3. Opportunity in Delaware
  - College Readiness
  - Participation in the Plan
4. Next Steps



# UPDATE ON MARKETING FIRM



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# Marketing Firm Update

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Since last Board meeting...

- Engaged with Aloysius Butler & Clark (ABC)
- Started Creative Brief Phase of Creative Concept Development
- Initial cost projections for statewide survey (\$25-50k)
- Received Fidelity survey data detail



## Fidelity Survey Key Points (Delaware)

- Families rank saving priorities as retirement, college, housing
- Parents plan to cover an average of 56% of college costs
- 61% of Delaware parents report that they have a plan in place to help them reach their college savings goals
- 59% of families that have a plan also own a 529 college savings plan

Giving people a plan is critical – having a plan is a trigger for owning a 529 account



# *“HOW AMERICA PAYS FOR COLLEGE”* FINDINGS

## How America Pays for College 2018

A snapshot of the national study by Sallie Mae® and Ipsos



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# How a Typical Family Pays for College

Funding Source	Average Annual Cost: \$26,458	Percentage Share
Grants and Scholarships	\$7,348	27%
Relatives and Friends	\$399	2%
Student Income and Savings	\$3,339	13%
Parent Income and Savings	\$8,891	34%
Parent Borrowing	\$2,648	10%
Student Borrowing	\$3,833	14%

27%

49%

24%

Source: <https://www.salliemae.com/assets/research/HAP/HowAmericaPaysforCollege2018.pdf>



# Summary of How a Typical Family Pays for College

- Costs are paid from a mix of earned, saved, and borrowed funds
- Income and savings pay nearly half of college costs (47%)
- Parent income and savings pay the majority of costs
- Half of parent funding is paid through income(cash-flow)
- Information around planning to pay for college is a need

Giving people a plan is critical

Source: <https://www.salliemae.com/assets/research/HAP/HowAmericaPaysforCollege2018.pdf>





# Parent Income and Savings Breakdown

Funding Source	Percentage Share
Grants and Scholarships	27%
Relatives and Friends	2%
Student Income and Savings	13%
Parent Income and Savings	34%
Parent Borrowing	10%
Student Borrowing	14%

## Mix of Parent Non-Borrowed:

- 20% Parent Current Income
- 5% 529 Plans
- 8% Other parent savings/investments
- 1% Retirement accounts (401k, Roth IRA, other IRA)

**How America Pays for College 2018**

A snapshot of the national study by Sallie Mae® and Ipsos

Source: <https://www.salliemae.com/assets/research/HAP/HowAmericaPaysforCollege2018.pdf>



# Family Income When Paying for College

Low Income <\$35k	Middle Income \$35k-<\$100k	High Income - \$100k+
<ul style="list-style-type: none"> <li>▪ Paid more for college (\$28,437)</li> <li>▪ Parents pay greater share of cost</li> <li>▪ Parents pay 49% of the cost with four-fifths from income and savings (\$11,397) and one fifth from borrowing (\$2,526)</li> <li>▪ Low-income parents do not contribute any money from retirement savings</li> </ul>	<ul style="list-style-type: none"> <li>• Paid lowest amount for college (\$25,402)</li> <li>• Rely more on student contributions</li> <li>• Parents paid 36% of the cost in middle-income families; with two-thirds being paid from income and savings and one third being borrowed</li> <li>• Parent income and savings paid 24% of the costs, 16% from income compared to 22% in high-income and 23% in low income families</li> <li>• Parent borrowing paid another 11 to 12%</li> </ul>	<ul style="list-style-type: none"> <li>• Paid a higher amount for college (\$26,135)</li> <li>• Parents pay greater share of cost</li> <li>• Parents pay 52% of costs in high-income families</li> <li>• Parent income and savings pay 42% (\$10,970)</li> <li>• Contributions from college savings plans pay for 12% of costs; much higher than the proportion paid from 529s in low- and middle-income families (2% and 3% respectively)</li> <li>• Parent borrowing paid another 10%</li> </ul>

Source: <https://www.salliemae.com/assets/research/HAP/HowAmericaPaysforCollege2018.pdf>



# Summary of Family Income When Paying for College

- Low income families rely more on borrowing/loans
- Low income families tend not to have retirement funds
- Middle income families (82%) are more likely to file FAFSA than either low income (74%) or high income families (66%)
- High income families (12%) utilize a 529 account as a funding source more frequently than middle (3%) and low income families (2%)

Develop a plan that helps families rely less on borrowing and having to pay through cash-flow

Source: <https://www.salliemae.com/assets/research/HAP/HowAmericaPaysforCollege2018.pdf>



# OPPORTUNITY IN DELAWARE COLLEGE READINESS AND PARTICIPATION



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# Delaware High School Graduates and Where They Attend



College Enrollment	# of Students (2016)	% of Students (2016)
<u>Delaware</u>	<b>3,749</b>	<b>42.6%</b>
2- Year	1,890	21.5%
4- Year	1,859	21.1%
<u>Out of State</u>	<b>1,600</b>	<b>18.2%</b>
2-Year	100	1.1%
4- Year	1,500	17.0%
Did Not Enroll	<b>3,457</b>	<b>39.3%</b>
<b>Grand Total</b>	<b>8,806</b>	<b>100%</b>

Source: Delaware Department of Education

The 2017 University of Delaware incoming freshman class had 4,306 students with 1,402 of the students being Delaware residents (33%).

Delaware State University's freshman class had 950 students with 49% from Delaware.



# Delaware Graduates and What They Will Need

Mix of Delaware Graduates	Type of School	Estimated Cost
22% Of High School Graduates	In State- 2 years	\$8,970 (60 credits) SEED Scholarships
21% of High School Graduates	In State – 4 Years (UD)	\$106,000
	In State – 4 Years (DSU)	\$76,000
18% of High School Graduates	Attend Out Of State- Public	\$83,000
	Attend Out of State- Private	\$188,000



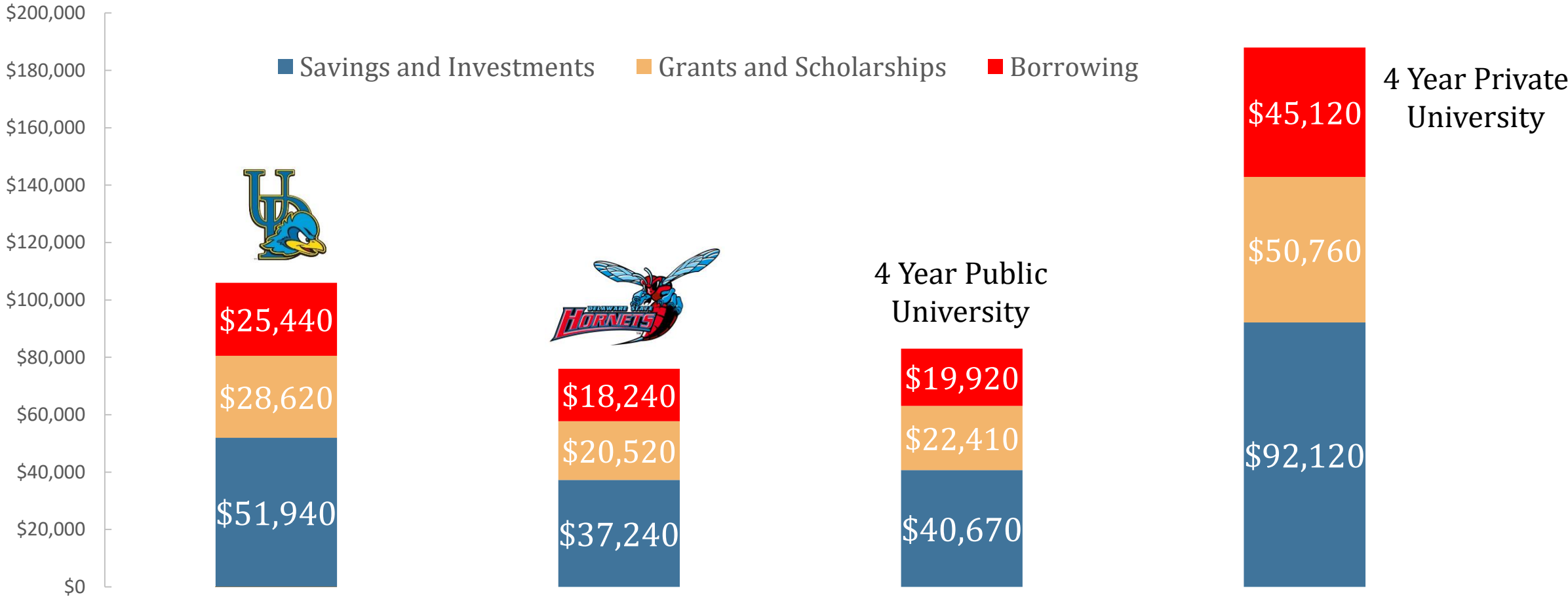
# How America Pays For College - Funding Mix

Source	Percentage of Total Funding
Savings and Investments	49%
Grants and Scholarships	27%
Borrowing	24%

Source: <https://www.salliemae.com/assets/research/HAP/HowAmericaPaysforCollege2018.pdf>



# Funding Mix of a College Education





# How Does Fidelity's 2k Rule of Thumb Measure Up?

Type of School	Estimated Cost	\$36,000 in 529 by Age 18 [Benchmark is 50%]
In State- 2 years	\$8,970 (60 credits) <u>+ \$53,000 (2 YRS at UD)</u> \$61,970	58% Funding Coverage
In State – 4 Years (UD)	\$106,000	34% Funding Coverage
In State – 4 Years (DSU)	\$76,000	47% Funding Coverage
Out Of State- Public	\$83,000	43% Funding Coverage
Out of State- Private	\$188,000	19% Funding Coverage



# College Readiness Action Steps

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1. Develop a working model for Delaware that answers:
  - a) How does a Delaware family currently pay for college?
  - b) How should a Delaware family fund an education?
2. Discuss funding strategy with University of Delaware and Delaware State representatives to further refine
3. Establish a college readiness target to attend Delaware schools and an average out of state school



# Delaware Resident Participation in Fidelity Plan



- 9,078 accounts
- \$203 million investments
- \$22,438 average balance
- 50% of accounts opened before 2009
- 40% of 529 accounts holders have another Fidelity account



# Delaware Resident Participation in Fidelity Plan

Zip Code	Area Description	Accounts	% of DE Accounts	Total Balances	% of DE Assets	Average Balance
19711	Newark, Pike Creek	923	10.2%	\$22,274,425	11%	\$24,133
19709	Middletown, Port Penn	815	9.0%	\$14,225,156	7%	\$17,454
19707	Hockessin, Pike Creek	682	7.5%	\$21,385,244	10%	\$31,357
19803	Alapocas, North Wilmington	667	7.3%	\$22,403,418	11%	\$33,588
19701	Bear, Glasgow	586	6.5%	\$8,734,358	4%	\$14,905
19810	Talleyville, Arden, North Wilmington	570	6.3%	14,585,304	7%	\$25,588
19808	Pike Creek	546	6.0%	\$10,088,213	5%	\$18,477
19702	Christina, Glasgow	525	5.8%	\$8,969,558	4%	\$17,085
19807	Hockessin, Greenville	368	4.1%	\$21,131,810	10%	\$57,423



# NEXT STEPS AND DISCUSSION



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# Next Steps

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1. Work with ABC on campaign concept around developing a plan to pay for college with the trigger to be opening a 529 account
2. Establish a college readiness target to attend Delaware schools and average out of state school
3. Confirm that national funding strategy is consistent for families in Delaware
4. Present concepts at March Meeting with launch by May 29<sup>th</sup> (5/29)

