

95% of Parents Saving for Kids' College Expenses Expect to Cover Over Half the Costs, According to Northwestern Mutual Planning & Progress Study

2 in 3 parents who are helping their kids cover college costs expect their children to pay for part of the educational expenses; 1 in 3 say the parents will pay for it all

Cost of College: Americans saving for college think it will cost over\$77,000 – a debt they don't expect to pay off until age 45

Double Duty: More than 2 in 10 Americans who are saving for higher education for a loved one are simultaneously paying off their own college loans

Americans' personal non-mortgage debt edges higher to nearly \$23,000, and the leading source is credit cards

Generation Debt: By far, Millennials and Gen X have the most debt, and many say they're carrying their highest level of debt ever

Spend or Save?: A growing number of people lack clarity on how much they can spend today and how much they should save for tomorrow

MILWAUKEE, May 1, 2024 /PRNewswire/ -- Among American parents saving for their children's college education, 95% expect to cover more than half of the cost for their children. While about one in three (36%) say they will pay for the full cost, two in three (64%) expect their child to pay something. These are among the latest findings from [Northwestern Mutual's 2024 Planning & Progress Study](#).

About a third of [parents saving for their kids' educational expenses](#) (37%) anticipate that child's contribution to be between 1-25%. Meanwhile, a fifth (22%) anticipate it to be between 25-50%.

Parents saving for college for their children say they expect their kids to contribute the following:	
Nothing (parents will have full responsibility)	36 %
Up to a quarter	37 %
Between a quarter and half	22 %
More than half	5 %

"For many parents, saving for their kids' college expenses is priority number one,"Christian Mitchell, chief customer officer at Northwestern Mutual said. "Each family should determine what feels right for them – but they need to act intentionally. Otherwise, the window to save for college costs may close – and fate will dictate how much parents and kids must contribute. It's also important to remember that college loans exist, but there is no such thing as a retirement loan. If parents can't afford life in retirement, that unexpected financial burden may fall on their kids' shoulders. That's why it's so important to consider every money move as part of a larger financial plan. With a comprehensive plan in place, parents can help their children pursue higher education without worrying about sacrificing their own future goals."

According to the Northwestern Mutual research, two in ten adults in America (led by 40% of Gen Z) are saving for college, either for themselves or a family member. On average, they expect the total cost of college to be \$77,300 and aim to pay it off by the age of 45. Each American's actual college expenses may vary significantly, [based on the type of school, the level of the institution, and the student's living arrangements](#).

"Not all debt is 'bad debt.' Some debt, like college loans, can actually help Americans increase their income-earning potential and build wealth into the future," said Mitchell. "A college degree tends to pay long-term dividends and give people a lifetime earnings edge. That said, college costs can vary significantly, so students and families need to do their homework on higher education. People with advanced degrees need to plan even more rigorously to ensure their financial security. As an example, the typical medical student in America graduates with about \$200,000 in college debt. These dentists, doctors and nurse

practitioners often seek out disability insurance as part of their financial plan to ensure that they have the resources to pay off these loans, even if an unexpected injury or illness arises. Their income is their greatest asset and it's prudent for these professionals to protect it."

Among those who are saving for college for either themselves or an immediate family member,23% are still paying off their own student debt.

Americans' debt levels are growing.

In 2024, Americans' personal debt, exclusive of mortgages, ticked up slightly between 2023 and 2024. The study revealed that two-thirds (66%) of Americans currently hold at least some personal debt, and the average amount people owe is \$22,713.

Americans' Personal Debt, Exclusive of Mortgages	
2024	\$22,713
2023	\$21,800
2022	\$22,354
2021	\$23,325
2020	\$26,621
2019	\$29,803

The primary source of debt is credit cards, which account for more than double the #2 source (car loans) and more than triple the #3 source (education).

What is Your Main Source of Debt? Please Select One.					
	All	Gen Z	Millennials	Gen X	Boomers+
Credit card bills	28 %	21 %	30 %	30 %	29 %
Car loan	13 %	10 %	13 %	15 %	13 %
Personal education loans	8 %	17 %	11 %	6 %	2 %
Medical debt	7 %	8 %	9 %	9 %	5 %
Educational expenses for children/family	5 %	7 %	6 %	5 %	2 %
Caring for loved ones	3 %	6 %	4 %	2 %	1 %
I have no debt	34 %	31 %	25 %	31 %	46 %

"Inflation and higher interest rates are creating a double dilemma for consumers. Prices and the cost to borrow are both up, and that one-two punch is leaving a mark on Americans' debt levels," said Mitchell. "As an example, the average cost for a new car in America is \$10,000 more than just five years ago, and many credit card interest rates exceed 20%. Splurging can feel amazing – or it can fuel more financial anxiety, if it's not planned for. The sooner people build a comprehensive financial plan that addresses their debts, the faster they can go on offense and start pursuing their dreams, guilt-free."

Gen X and Millennials carry the most total personal debt

In both age groups, more than four in ten – 42% of Gen X'ers and 43% of Millennials – say their personal debt is at or near its highest level ever.

	All	Gen Z	Millennials	Gen X	Boomers+
Average debt, exclusive of mortgages	\$22,713	\$16,478	\$24,833	\$28,670	\$18,272

Meanwhile, only six in ten Millennials (59%) and Gen X'ers (57%) say that they have a specific plan in place to pay down their debts.

For people who carry personal debt, an average of 29% of their monthly income goes toward paying it off. That's a sizable chunk off the bottom line and may explain why people are increasingly prioritizing paying down debt before building savings. [Lenders generally prefer that a person's debt-to-income ratio \(DTI\) is below 43 percent](#)– although some want it to be no higher than 31 percent.

"When it comes to debt, it's important to prioritize your net worth and follow the math, not emotions," Mitchell said. "The stress of debt can be significant, and many feel an urgency to pay down these debts as quickly as possible. If you suddenly have a lump sum of money, it's smart to pause and consider how to use it. For example, is it best to pay down a student loan with a 5% interest rate, pursue a 7% average return by investing in the markets, or pay down a credit card with a 24% interest rate? By crunching the numbers or seeking advice from an advisor, the answers can become clearer, and it can build a lot of confidence."

The urgency to pay down debt is growing. But action to get it under control is lacking.

The Northwestern Mutual study found that 64% of adults say they prioritize paying down debt versus 36% who put saving first. That continues a two-year trend which has seen a growing urgency to focus on debt first. At the same time, the number of people who report having specific plans to pay off their debt has dropped over the same period, from 64% in 2022 to 59% today.

Which Do You Prioritize?			
	2022	2023	2024
Saving Money	43 %	39 %	36 %
Paying Down Debt	57 %	61 %	64 %

Do You Have a Specific Plan In Place to Pay Off Debt?			
	2022	2023	2024
Yes	64 %	61 %	59 %
No	36 %	39 %	41 %

Interestingly, the study found that saving is more of a priority for younger adults whereas paying down debt becomes more of a priority as people age.

Which Do You Prioritize More?	All	Gen Z	Millennials	Gen X	Boomers+
Saving money	36 %	48 %	42 %	35 %	25 %
Paying down debt	64 %	52 %	58 %	65 %	75 %

The survey also showed that striking a balance between spending and saving is getting murkier for many Americans. The number of U.S. adults who lack clarity on how much they can afford to spend now vs. how much to save for later has risen from a quarter (26%) in 2021 to a third (34%) today – reiterating the importance of a comprehensive financial plan.

"Without a plan to provide clarity, every financial decision people make can create financial anxiety," Mitchell said. "With better clarity, people can enjoy today with a greater confidence that tomorrow is planned for, too."

Do You Have Clarity on Exactly How Much You Can Afford to Spend Now Vs. How Much You Should Be Saving for Later?				
	2021	2022	2023	2024
Yes	74 %	71 %	70 %	66 %
No	26 %	29 %	30 %	34 %

Emergency funds can provide a safety net – for some.

Six in ten (60%) Americans say they have an emergency fund – cash or other liquid assets independent of money earmarked for specific goals such as retirement funds in a 401k or IRA. That means four in ten Americans (40%) do not have any emergency savings.

Among those who do have emergency funds, the average amount they have saved is \$25,500. Only half (53%) say their savings would be enough to cover more than six months of expenses.

"It's important to expect the unexpected, and to plan for it," said Mitchell. "Alongside insurance, an emergency fund helps to lay the foundation for financial security. Most of us have received an unexpected bill for car repairs, home repairs, and medical expenses for ourselves or even our pets. Moreover, if the economy slows down, more people may experience job loss or see a reduction in their pay – especially small business owners. Now is the time to prepare and create a safety net savings account to cover six months of surprise expenses."

In forthcoming data sets, the 2024 Planning & Progress Study will explore wide-ranging issues facing Americans spanning retirement income, emerging technology, professional help, generational planning and more.

About The 2024 Northwestern Mutual Planning & Progress Study

The 2024 Planning & Progress Study was conducted by The [Harris Poll](#) on behalf of Northwestern Mutual among 4,588 U.S. adults aged 18 or older. The survey was conducted online between January 3 and January 17, 2024. Data are weighted where necessary by age, gender, race/ethnicity, region, education, marital status, household size, household income, and propensity to be online to bring them in line with their actual proportions in the population. A complete survey methodology is available.

About Northwestern Mutual

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For further information: LUKE PUNZENBERGER, 1-800-323-7033, mediarelations@northwesternmutual.com

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