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NEW SURVEY OUTLINES RISK TOLERANCE OF PARENTS SAVING FOR COLLEGE

Survey Finds Majority Would Never Put College Savings in Risky Investments

LOUISVILLE, Ky., August 28, 2001 – The vast majority of Americans have little tolerance for risk when it comes to their children’s college savings, with nearly seven in eight (85 percent) believing that some investments held too great a risk for their children’s college funds, according to a survey of 510 American parents released today by AEGON Institutional Markets Inc.

Seven in eight parents said they would never do anything to gamble the principal they have accumulated thus far. And more than half, about 57 percent, said they worry that a fluctuating market will negatively affect their children’s college savings, according to the survey conducted by Yankelovich Partners/Harris Interactive.

While market risk is a serious consideration for today’s parents, more than a third of those surveyed (35 percent) classified themselves as “aggressive” in their college education investing. Sixty-one percent of those saving for college classified themselves as “conservative” investors.

Not surprisingly, parents were overwhelmingly nervous about the high costs of education. Nearly nine in 10, or 87 percent, think tuition costs will be “astronomical” by the time their children reach college. And two in five, or 39 percent, believe they will never be able to save enough to send their children to college.

“This survey shows that parents are concerned about the rapidly rising cost of college and are looking for investments that preserve their value in volatile markets,” said Lynn E. Allen, director of Institutional Business Development for AEGON Institutional Markets. “Four years at a public university could cost more than \$100,000 by the time today’s newborns are ready for college, and parents want to be prepared no matter how the markets perform.”

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Parents also had unrealistically high hopes for their college investments, expecting an annual average return of about 24 percent. In reality, however, the investments of those who did save averaged less than half that – 11 percent – over the last year.

Most parents expressed great feelings of inadequacy when it comes to saving for college, with nearly 75 percent saying they only know some or a very few of the things necessary to making wise investment choices. Asked where they turn for financial advice, one-third (36 percent) said they consult a financial planner, with most relying on spouses (63 percent) friends or relatives (38 percent) or published articles (34 percent).

Nevertheless, most parents are saving for college, and saving early. Two-thirds of parents have taken the first step toward furthering their children's education by saving for college. Two in five, or 40 percent, save regularly, while another 25 percent have saved in the past, but not recently.

Of those who are saving, two-thirds started before their child turned 5, with half saving before the child turned 2. Of those who are not yet saving for college, half (52 percent) said they plan to start eventually, about one-quarter of them within the next year.

On average, parents who do save sock away more than \$2,500 a year for each child. The most popular savings vehicles were savings accounts (54 percent); mutual funds (46 percent); savings bonds (38 percent); individual stocks and CDs (26 percent each); and money market accounts (21 percent).

The biggest problem for parents, the survey found: Finding an investment vehicle that meets their tolerance for risk yet yields enough to help them save a significant sum for their children's education should the markets turn sour.

Not surprisingly, more than 75 percent of those surveyed expressed interest in investments that guarantee preservation of principal while yielding a better return than money market funds. Three-quarters of those surveyed said they would be "extremely interested," "very interested" or "somewhat interested" in such an investment vehicle to pay for college.

AEGON Institutional Markets, which commissioned the study, is a leading provider of stable value products – insurance-based fixed-income investments that maintain the value of the principal and accumulated interest. Although stable value funds are common among retirement plans, college savings plan providers are now just beginning to recognize their many benefits.

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“With the increased popularity of 529 college savings plans, we wanted to demonstrate the viability of including a stable value choice for college savings,” said Allen. “With a stable value fund, parents saving for college maintain the value of the principal and accumulated interest – especially important with the relatively short investment time horizon. Currently, stable value funds are included in about two-thirds of 401(k) plans, so it’s logical for these investments to be included in a college savings plan menu, too.”

AEGON Institutional Markets is currently in discussions with some of the nation’s top providers of 529 college savings plans to include a stable value offering.

“When stocks are riding high, nobody wants to think about stable value funds because they can’t compete with fabulous equity returns,” Allen said. “But, as investors near college tuition payment dates or retirement, stable value funds offer the returns of fixed-income investments but greater safety than stocks or bonds because they are insulated against steep market declines.”

The survey also found extremely limited awareness – just 8 percent of respondents – of 529 plans among today’s parents. Accordingly, parents who save for college rarely use 529 plans (only 1 percent), most likely due to the limited awareness.

About The Survey

The study was conducted via telephone between April 15 and May 15, 2001, and included 510 interviews with parents of children under the age of 18. The margin of error for the survey was plus or minus 4.3 percent.

About AEGON Institutional Markets

With more than \$50 billion in product balances, AEGON Institutional Markets Inc., a Louisville, Kentucky-based unit of AEGON Insurance Group, is a leading provider of savings and investment products to institutional clients in the retirement and asset-accumulation markets. Its stable value products are insurance contracts issued by Monumental Life Insurance Company, AUSA Life Insurance Company, Inc., Transamerica Occidental Life Insurance Company and Transamerica Life Insurance Company. AEGON Insurance Group is one of the world’s largest insurance organizations, with more than \$226 billion in assets, \$213.2 billion in liabilities and \$13.3 billion in shareholders’ equity as of June 30, 2001 (NYSE symbol: AEG).

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