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ABSTRACT

This correspondence presents information on: (1) the number of people who have claimed the income exclusion for using savings bonds to cover college expenses; (2) public awareness of education savings bonds and attitudes toward the income limits on use of the exclusion; (3) the recent lowering of the income limits; and (4) the nonrepayment rate for federal employees who have borrowed from the Thrift Savings Plan (TSP) to pay for education expenses. Attached to this correspondence is the full study, "Nationwide Market Research Study Concerning U.S. Savings Bonds" prepared for the U.S. Savings Bond Division, Department of Treasury by Schulman, Ronca, and Bucuvalas, Inc. (New York, New York). Information is presented on series EE savings bonds and penalty-free withdrawals from individual retirement accounts to encourage savings for college. It is noted that few people have used the education expenses provision of the series EE savings bonds to pay for college costs and it is suggested that this may be due to the short period of time that this program has been in effect. It is also noted that 77 percent of respondents to a poll on educational savings had never heard of the special education savings bonds. With regard to this program's income limits, 44 percent thought the income limits were about right and 37 percent thought they should be raised. Examination of repayment patterns among those federal employees who had borrowed from their TSPs to pay for college found that nearly all borrowers repaid theses loans in full. Furthermore, given the small sums involved, non-repayment probably would not have a serious negative effect on economic well-being during retirement. Tables provide details of the study's findings. (JB)

HE

GAO

United States
General Accounting Office
Washington, D.C. 20548

Health, Education and Human Services Division

B-254026

ED 384 293

November 4, 1994

The Honorable Nancy Landon Kassebaum
Ranking Minority Member
Committee on Labor and Human Resources
United States Senate

The Honorable James M. Jeffords
Ranking Minority Member
Subcommittee on Education, Arts, and Humanities
Committee on Labor and Human Resources
United States Senate

The Honorable Thad Cochran
United States Senate

In recent years, escalating costs of higher education have raised concerns about the ability of average American families to finance a college education for their children. For this reason, you asked us to study ways the federal government can encourage families to save money for their children's college educations. Specifically, you requested that GAO examine (1) the potential of two federal options--series EE savings bonds and penalty-free withdrawals from individual retirement accounts (IRA)--to encourage net savings for college and (2) state-operated tuition prepayment plans. In subsequent discussions with your staff, we agreed to focus our remaining work on tuition prepayment plans, which will be the subject of a future report. We also agreed, however, to summarize information we gathered as part of our initial research concerning the use of EE savings bonds and loans from the Thrift Savings Plan (TSP) to pay for college.

More specifically, this correspondence presents the related information we gathered on: (1) the number of people who have claimed the income exclusion for using savings bonds to cover college expenses, (2) public awareness of education savings bonds and attitudes toward the income limits on use of the exclusion, (3) the recent lowering of the income limits, and (4) the nonrepayment rate for federal employees who have borrowed from the TSP to pay for education expenses.

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FEW PEOPLE HAVE CLAIMED EXCLUSION FOR USING SAVINGS BONDS TO PAY FOR COLLEGE

With the Technical and Miscellaneous Revenue Act of 1988 (P.L. 100-647), the Congress created a new federal income tax advantage for using EE savings bonds to pay for certain higher education expenses. For savings bonds purchased in 1990 or later, taxpayers may deduct from their gross income the interest earned on bonds used to pay for tuition and required fees, net of scholarships, at accredited colleges and universities. In addition, the expenses must be for the taxpayer, or the taxpayer's spouse or dependents, and certain age and registration requirements apply to qualify for the exclusion. Taxpayers must also meet specific income requirements for the year the bonds are redeemed. Taxpayers below a certain income level may qualify for a full exclusion; those between the lower and upper income limits qualify for a partial exclusion, decreasing as their income rises; and those above the upper limit do not qualify for any exclusion. This phase-out structure is designed to favor lower- and middle-income taxpayers.[1]

To date, however, few people have used the education expenses provision of series EE savings bonds to pay for college costs. The Internal Revenue Service (IRS) estimated that only 6,685 tax filers took the exclusion in 1991 and another 11,200 did in 1992; estimates were not available for 1993. The total amount of these exclusions was estimated at $510,000 in 1991 and $1.5 million in 1992, making the average exclusion $76 and $134 in those 2 years, respectively. However, due to the small samples upon which these estimates are based, we cannot reliably determine the income distribution or other characteristics of tax filers who claimed the exemption.

One possible reason for the limited response to the income exclusion provision thus far is that it only applies for bonds purchased in January 1990 or later; traditionally, investors hold savings bonds for an average of 10 years before redeeming them. Thus, it will take several years before the popularity of this provision can be adequately assessed through tax return data.

[1]For more information on the use of savings bonds to pay for college, we recommend two reports by the Congressional Research Service: (1) "Saving for College with Education Savings Bonds," by Gerald Mayer, Report No. 89-207 E, Library of Congress, Mar. 22, 1989; and (2) "Education Savings Bonds: Eligibility for Tax Exclusion," by Bob Lyke, Report No. 89-570 EPW, Library of Congress, Oct. 16, 1989.

PUBLIC AWARENESS OF EDUCATION SAVINGS BONDS AND OPINIONS ON INCOME LIMITS

A 1992 national market survey prepared for the U.S. Savings Bonds Division of the Department of the Treasury asked a random sample of household financial decisionmakers some questions about the education provision of EE savings bonds, including the respondents' views on the income limits. The survey found that 45 percent of respondents "personally [had] plans to save for education either now or in the next few years." However, 77 percent of these respondents said they had never heard of what the survey referred to as "special education savings bonds." As for their views on the income limits, of those respondents with plans to save for education, 37 percent said the income limits should be raised; however, 44 percent said the limits are about right, and 16 percent said the limits should be lowered. Table 1 shows how answers varied for respondents from different income levels. Additional excerpts from this study appear in enclosure I.

Table 1: Opinions About Income Limits, by Respondents' Own Income Level

Percent saying limits should be or are...	Respondents' income level			
	$15,000 or less	$15,000 to $35,000	$35,000 to $50,000	$50,000 or more
Eliminated	0	2	2	3
Raised	15	20	39	72
About right	55	56	45	21
Lowered	28	20	12	4
Not sure/ don't know	2	1	2	1
Total	100	100	100	100

Source: Data tables produced for "Nationwide Market Research Study Concerning U.S. Savings Bonds," prepared for U.S. Savings Bonds Division, Department of the Treasury, by Schulman, Ronca, and Bucuvalas, Inc., October 23, 1992. (See enclosure I, p. 36.)

Note: Percentages may not total 100 due to rounding.

INCOME LIMITS LOWERED

In conducting our initial research, we also learned from the Department of the Treasury that the income limits to qualify for the income exclusion in 1993 and 1994 may have been lowered inadvertently. The Omnibus Budget Reconciliation Act of 1993 (P.L. 103-66), referred to as OBRA-93, established the income limits as shown in table 2.

Table 2: Income Limits Set by OBRA-93

1993 Tax Year Modified Adjusted Gross Income	
Single filers	\$40,000 - \$55,000
Joint filers	\$60,000 - \$90,000
1994 Tax Year Modified Adjusted Gross Income	
Single filers	\$41,200 - \$56,200
Joint filers	\$61,850 - \$91,850

The figures shown above for 1993 are actually the same as the original income limits that were in effect for 1990. According to the Department of the Treasury, prior to passage of OBRA-93 the income limits for 1993 and 1994 were anticipated to be those shown in table 3.

Table 3: Income Limits Anticipated Before OBRA-93

1993 Tax Year Modified Adjusted Gross Income	
Single filers	\$45,500 - \$60,500
Joint filers	\$68,250 - \$98,250
1994 Tax Year Modified Adjusted Gross Income	
Single filers	\$46,900 - \$61,900
Joint filers	\$70,350 - \$100,350

For tax filers who used qualified EE savings bonds to pay for allowable education costs in 1993, these new, lower limits reduced the amount of income that some filers were allowed to exclude and may have disqualified others from claiming any exclusion. This issue is addressed in Section 1002(d) of the Tax Simplification and Technical Corrections Act of 1993 (H.R. 3419), which would establish the income limits at the level anticipated prior to

OBRA-93. H.R. 3419 was passed by the House on May 17, 1994, and now awaits action in the Senate Committee on Finance.

NEARLY ALL THRIFT SAVINGS PLAN EDUCATION LOANS REPAID

As a possible indication of whether allowing people to use retirement savings to pay for college would endanger their retirement security, we obtained data from the Federal Retirement Thrift Investment Board on the nonrepayment rate for TSP education loans. We found that nearly all borrowers repaid these loans in full. Furthermore, given the small sums involved, nonrepayment probably would not have a serious negative effect on economic well-being during retirement.

Since 1988, federal employees have been able to borrow from their TSP accounts to pay for certain educational expenses--tuition, room, board, books, and supplies--for themselves, their spouses, or their dependents.[2] Borrowers can use the funds at primary and secondary schools, colleges and universities, and vocational and technical schools, and they must repay their loans through payroll deductions within 4 years of the issuance date. If active federal employees fail to repay their loans on time, a taxable distribution is declared;[3] that is, the amount of unpaid principal and interest is reported to the IRS as taxable income received by the borrower. Thus, the borrower would be liable for taxes on that amount and, depending on his or her age and employment status, may also be liable for a 10-percent early withdrawal penalty. Taxable distributions are also declared when borrowers leave federal service and do not prepay the loan in full; in cases of death, the taxable distribution is declared against the deceased's estate.

Very few TSP education loans issued from 1988 to 1993 have resulted in taxable distributions. For active federal employees, taxable distributions have accounted for only about 1 percent or less of the loans in each of these years. Taxable distributions for employees separating from federal service accounted for less than 8 percent of the loans issued in 1988 and 1989, which typically would have been fully repaid by now since more than 4 years have elapsed

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[2]TSP officials told us that education loans cannot be used to purchase a prepaid tuition contract because (1) such contracts represent an investment, not a current educational expense, and (2) the benefits are not necessarily restricted for use by the purchasers or their spouses or dependents.

[3]For detailed information on TSP education loans, see the Federal Retirement Thrift Investment Board's booklet, "Thrift Savings Plan: Loan Program," January 1990.

from the issuance date. For more recent years, the percentage of loans ending in taxable distributions at separation has decreased because fewer years have elapsed in which borrowers might decide to leave federal service. Overall, for education loans issued in 1988 and 1989, over 90 percent were repaid in full. Data tables showing the disposition of TSP education loans issued from 1988 to 1993, including the dollar amounts involved, appear in enclosure II.

For several reasons, it is impossible to say whether those individuals who have had taxable distributions declared against them are, or will be, economically worse off in their retirement years because of this action. The data we received did not distinguish between separations due to retirement and those in which the borrower left federal service for some other reason, such as changing jobs before retirement. In addition, we do not know how much additional money, if any, these borrowers had saved for retirement. However, the average size of the taxable distributions declared thus far--ranging from about $2,200 for loans issued in 1988 to about $3,000 for loans issued in 1993--does not appear large enough to seriously threaten the borrowers' economic well-being in their retirement years. Given the differences between TSP education loans and IRAs, it is difficult to draw any inferences from the repayment statistics of the former that would illuminate how penalty-free withdrawals from the latter would affect parents' retirement funds.

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To collect the information reported in this correspondence, we spoke with officials from the Department of the Treasury, including the U.S. Savings Bonds Division and the Internal Revenue Service; reviewed the rules for using EE savings bonds to pay for college costs; and spoke with officials from the Federal Retirement Thrift Investment Board. We hope this information is of use to you. If you have any questions, please call Tim Silva, Senior Evaluator, at (202) 512-7041.

Linda G. Morra
Director, Education and
Employment Issues

Enclosures - 2

(104735)

ENCLOSURE I

STUDY #4093

NATIONWIDE MARKET RESEARCH STUDY CONCERNING U.S. SAVINGS BONDS

Prepared for:

U.S. Savings Bond Division
Department of Treasury

Prepared by:

Schulman, Ronca, and Bucuvalas, Inc.
444 Park Avenue South
New York, NY 10016

October 23, 1992

ENCLOSURE I

INTRODUCTION

Background and Objectives

With the introduction of the Series EE Savings Bond, the past decade has seen several significant changes in the interest rate formula and tax benefits of the U.S. Savings Bond. Although Savings Bonds have been available since the end of World War II, the recent changes in the bonds have altered the nature of the instrument and, potentially, the profile of investors who purchase it. Yet the impact of these changes has not been analyzed recently. The purpose of this study is to provide information to the Savings Bond Division (SBD) and the Treasury Department to allow for strategic long-term planning concerning the future of U.S. Savings Bonds.

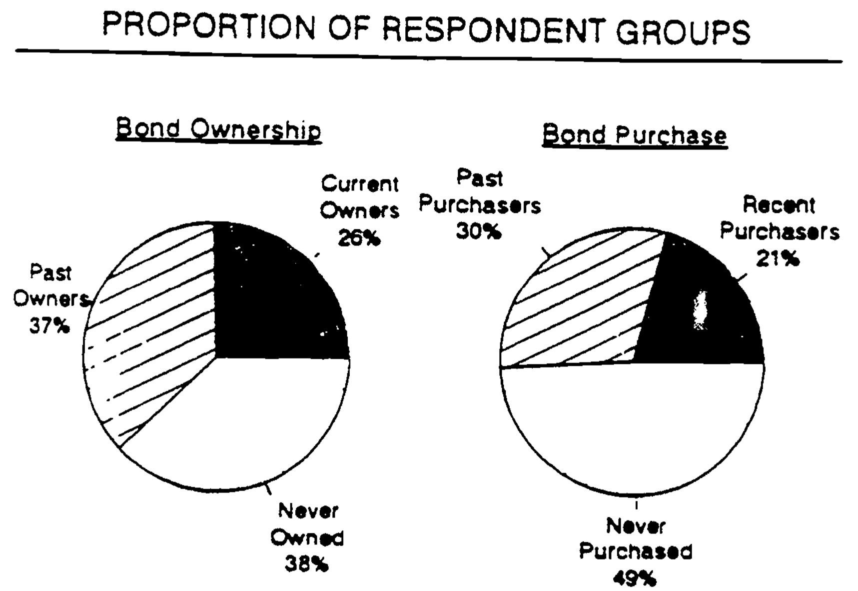
This study, conducted by Schulman, Ronca, and Bucuvalas, Inc. (SRBI), is designed to address the following primary objectives:

- to profile current Savings Bond owners and recent purchasers, including sales both over-the-counter and through payroll savings plans
- to determine the public's knowledge of and interest in Savings Bonds, and to find out how and where that knowledge was obtained
- to ascertain how Savings Bonds are purchased, the frequency of purchase, and the issues connected with the retention of bonds
- to determine the purchase preferences of potential customers
- to segment the potential market for Savings Bonds by a variety of influential factors, including product features, sales approaches, and personal habits or beliefs regarding savings
- to assist in the development of sales forecasting, marketing plans, and advertising strategies regarding Savings Bonds
- to measure current market trends related to Savings Bonds

SRBI conducted 2,402 telephone interviews with a national random digit dialing (RDD) sample of household financial decision makers. The study's respondents include:

- Current bond owners
- Past bond owners (do not currently own bonds)
- Those who never owned bonds
- Recent bond purchasers (past 2 years)
- Past bond purchasers (3 or more years ago)
- Those who never purchased bonds

The proportion of respondent groups was as follows:



The survey data were further stratified by the following household financial decision maker characteristics:

- Type of bond purchase (for self, as gift, over-the-counter, payroll savings plan)
- Knowledge of bonds
- Attractiveness of bonds
- Likelihood of buying bonds
- Demographic data (age, region, income, total savings and investments, likelihood of saving or investing)
- Plans to save for education

A Note on Surveys

When interpreting this data, it should be remembered that all sample surveys are subject to sampling error, that is, the difference between the results found in this sample and those that would have been obtained if the entire population of household financial decision makers had been interviewed. The size of a sampling error varies with both the size of the sample and the percentage giving a particular response. The chances are 95 out of 100 that the sample results will differ from the theoretical census results by less than 1.96 standard errors. The following table, based on an unweighted simple random sample, provides a rough guide to the sample error allowances to be used for this survey at various percentage response levels.

RECOMMENDED ALLOWANCE FOR SAMPLING ERROR (PLUS OR MINUS) AT 95% CONFIDENCE LEVEL -- SIMPLE RANDOM SAMPLE

	SIZE OF SAMPLE OR SUBSAMPLE								
RESPONSE (%)	2400	1800	1200	900	600	300	200	100	50
10 (90)	1%	1%	2%	2%	2%	3%	4%	6%	8%
20 (80)	2%	2%	2%	3%	3%	5%	6%	8%	11%
30 (70)	2%	2%	3%	3%	4%	5%	7%	9%	13%
40 (60)	2%	2%	3%	3%	4%	6%	7%	10%	14%
50	2%	2%	3%	3%	4%	6%	7%	10%	14%

For example, if the response for a sample size of 900 is 30%, in 95 cases out of 100, the response in the population will be between 27% and 33%.

When comparing the data between groups (current owners and those who have never owned bonds, for example), it should be kept in mind that since both samples are subject to sampling error, a difference of 1.5 times the error for either group is necessary to represent a statistically significant difference. For example, given sample sizes of 300 and 600, a difference of 7% is necessary at the 95% confidence level if the data are in the 50% range in both groups. The following table should be used as a guide to the statistical significance of differences between groups:

PECOMMENDED ALLOWANCE FOR SIGNIFICANCE OF DIFFERENCE BETWEEN TWO PERCENTAGES AT 95% CONFIDENCE LEVEL

NEAR 50%

First sample size:	2000	150C	1000	600	300	150	50
Second sample size:							
2000	4%	4%	4%	5%	7%	9%	15%
1500	4%	4%	4%	5%	7%	9%	15%
1000	4%	4%	5%	6%	7%	9%	15%
600	5%	5%	6%	6%	7%	9%	15%
300	7%	7%	7%	7%	8%	10%	15%
150	9%	9%	9%	9%	10%	12%	16%
50	15%	15%	15%	15%	15%	16%	20%

NEAR 20% OR 80%

First sample size:	2000	1500	1000	600	300	150	50
Second sample size:							
2000	3%	3%	3%	4%	5%	7%	12%
1500	3%	3%	4%	4%	5%	7%	12%
1000	3%	4%	4%	4%	6%	7%	12%
600	4%	4%	4%	5%	6%	7%	12%
300	5%	5%	6%	6%	7%	8%	12%
150	7%	7%	7%	7%	8%	9%	13%
50	12%	12%	12%	12%	12%	13%	14%

A Note on Tables and Figures

Percentages in tables and figures may not add up to 100% due to rounding. Where multiple responses are accepted, totals may exceed 100%. In summary tables, not all response categories may be shown.

ENCLOSURE I

EXECUTIVE SUMMARY

OBJECTIVES

This survey, conducted by Schulman, Ronca, and Bucuvalas, Inc., sought to assess the current level of interest in and knowledge about U.S. Savings Bonds. It further seeks to profile current savings bond owners and recent purchasers.

The goal of this report is to provide the Treasury Department with an outside assessment of the market potential for savings bonds, and the issues related to product features, advertising, and distribution that can help them to develop a credible marketing plan.

METHODOLOGY

Two thousand four hundred and two telephone interviews were conducted with household financial decision makers in a national random digit dial (RDD) cross-section sample of Americans. The average interview lasted 22 minutes. Spanish language interviews were conducted when appropriate. Interviewing dates were June 19 to August 16, 1992.

SUMMARY OF KEY FINDINGS

I. The findings suggest that the characteristics of current savings bonds owners and recent purchasers profile a more affluent customer base than might be expected.

The marketing focus for U.S. Savings Bonds, with its small denominations, limits on purchase, emphasis on gift-giving, and payroll savings plans at work is geared toward the small saver who is not accustomed to using more sophisticated instruments. However, the findings indicate that:

- More than half of current owners and recent purchasers earn over $35,000 per year. Only a quarter of those who have never purchased or owned savings bonds fall into the $35,000+ income group;

- Savings bond owners and recent purchasers are also likely to have other investment vehicles such as corporate bonds, 401K plans, IRA's, and stocks. Moreover, 3 in 5 of them report having $5,000 or more in total savings. Less than half of the total sample surveyed say they have this level of savings;

- Just 1 in 5 current owners say they only have savings bonds that were purchased for them as gifts. Another third say they have both gift bonds and bonds purchased some other way;

- Of the bonds that were purchased, 41% were obtained through payroll savings plans. Despite advertising emphasis on payroll savings plans at work, nearly half (46%) of savings bonds purchases were made through over-the-counter bank purchases, savings and loans, and credit unions.

II. While the findings indicate high levels of interest, investor understanding of U.S. Savings Bonds is limited. Most importantly, there is little knowledge of differentiating features that give the instrument distinct competitive advantages over other savings instruments.

Notably, educating the public about savings bond products and features while administering the questionnaire seems to have increased the perceived comparative advantage of the savings instrument. A third of the way through the survey, only 1 in 10 recent bond purchasers perceived this savings instrument to be more attractive than other investments. At the end of the survey, after more information was presented to them, a similar question was asked. This time, fully half of the recent purchasers perceived savings bonds to be are at least somewhat more attractive than other methods of savings. Some of the specific "knowledge gaps" evident in the findings include:

- Accurate knowledge of the correct current interest rates on savings bonds is extremely limited. Fewer than 1 in 10 household financial decision-makers are even willing to guess. Even among those who have purchased a savings bond in the past two years, three-quarters say they do not know the current interest rate on the instrument, and less than 10% say the current rate is between 5% and 6.99%. Fewer than 2 in 5 bond owners are aware of variable interest on savings bonds, and only half of those who are aware of variable rates are also aware of a minimum below which rates can't fall.

- Despite this lack of knowledge, two-thirds of the people who have purchased savings bonds in the past 2 years say that competitive interest rates are important to them personally. Only 3 in 10 savings bond owners say that the interest rate on their instrument is higher than the rate on 1-year bank savings certificates. On the other hand, fully half of them say that the interest rate on their instrument is the same or <u>lower</u> than on 1-year bank savings certificates. A quarter of the savings bond owners say they aren't sure how competitive the rates are.

- Reactions to products like the Special Education Savings Bond is very positive, particularly among those with plans to save for education in the near future. However, there was little prior knowledge of the product before it was explained to them during the interview.

- Most people who have redeemed savings bonds say they did so for financial need rather than for long-term savings goals such as education or retirement. While Recession-driven economic hardship may play a part in the need for redemption simply to pay bills. Some individuals are resistent to waiting so long for bonds to reach maturity. On the other hand, current owners are favorable toward the idea of "forced savings" -- particularly those with payroll savings plans.

<u>**Observation**</u>
Clearly, there is much to gain by providing more informational advertising. The public needs to be educated about changes in savings bond interest rates since the introduction of Series EE Savings Bonds. This is supported by the finding that after non-recent bond purchasers were informed about current rates, their interest in savings bonds as a competitive instrument was boosted significantly. Competitive interest rates are the most important overall feature to investors, yet savings bonds are known much more for their security than for their competitive

interest rates. Savings bonds, with their complex interest rate features, are difficult to understand. Boosting the public's knowledge of the savings bond as a contemporary savings vehicle with a competitive edge on other investments is needed to offset an out-of-date image.

III. The findings suggest that market growth is limited by problems with the distribution mechanisms of U.S. Savings Bonds. The addition of innovative distribution channels is somewhat appealing to the public and may help to expand the client base for savings bonds.

The two current distribution methods, banks and Payroll Savings Plans, may represent serious bottlenecks in distribution. Some of the problems with the current distribution mechanisms are apparent in the following findings:

- Banks are clearly not stressing savings bonds as an investment instrument -- 4 in 10 household financial decision makers are not sure whether their bank branch sells savings bonds. Of those who say that their branch does sell the bonds, 86% say that no one in their bank has ever suggested buying savings bonds. Savings bonds do not receive the attention by banks that, for example, CD's receive. Current rates are not posted, and no one at the bank is informing consumers about the features of savings bonds.

- Payroll Savings Plans are appealing to the public, but fully two thirds of people who are currently employed outside the home do not have Payroll Savings Plans available to them. Three fourths of people who work outside the home are employed by businesses with fewer than 2,000 employees, yet Payroll Savings Plans are not currently marketed to these smaller businesses. Offering Payroll Savings Plans to smaller businesses may expand the lower income market segment of the customer base.

- The regional distribution of recent savings bond purchasers is higher is the Northeast and Midwest than in the South and West. The findings suggest that Payroll Savings Plans may be more available in the Northeast and Midwest, given the presence of major business centers in these regions. Expansion of the Payroll Savings Plan to smaller businesses might capture more of the market in other regions.

- The new distribution techniques are fairly positively received by the public, but fully two thirds of household financial decision makers prefer to use a bank rather than an ATM, post office, or store. At-home purchase options such as toll-free numbers and PC-based services are interesting to a small proportion of the public, but they are unwilling to pay more than a trivial amount for these services.

<u>Observation</u>
Because banks remain the preferred cite of purchase of U.S. Savings Bonds, marketing support materials designed to position banks as a primary seller of savings bonds may represent the most direct method for market expansion. Expanding Payroll

Savings Plans beyond the current emphasis on larger businesses may help to broaden the current client base. Investing in innovative distribution mechanisms while stressing the convenience aspect of these channels may help to address the need for market growth in the future. In the short run, expanding marketing support for banks and broadening the Payroll Savings Plan program may offer the most growth. Offering the Payroll Savings Plan to smaller businesses could help to correct the disparity in regional distribution of recent purchasers, and expand the market to lower income clients.

DETAILED FINDINGS

CHAPTER I: PROFILE OF CURRENT OWNERS AND RECENT PURCHASERS

Income: Current owners and recent purchasers of savings bonds appear to be drawn primarily from middle income levels. More than half of current owners (55%) and recent purchasers (57%) report incomes of greater than $35,000. By comparison, only 38% of the overall sample report income levels greater than $35,000. Further, a much smaller proportion of people who have never owned or never purchased bonds report incomes this high (26% and 30%, respectively).

Ability to save: Similarly, current owners and recent purchasers report a higher ability to save over the past year, compared to the general public. More than half of the people in these two groups (51% of current owners and 53% of recent purchasers) have been able to save or invest money in the past 12 months. Only 38% of the overall population reports that they have been able to save over the past year. A substantially higher proportion of current owners and recent purchasers report that they plan to save or invest at least $100 over the next 12 months (81% and 83% respectively) than the overall population (69%). Those who currently own bonds or have purchased bonds recently also are more likely to agree that they usually try to set aside money to save or invest on a monthly basis (77% of each group), in contrast to the population in general (62%), those who have never purchased bonds (58%), and those who have never owned bonds (56%).

Other investments: Those who own savings bonds or have purchased them recently are more likely than others to have other types of investments, including corporate bonds, 401-K plans, IRA's, whole life policies, money market funds, municipal bonds, savings accounts, bank savings certificates and certificates of deposit, stocks, and mutual funds. The rate of investment in these vehicles is higher for current owners and recent purchasers than for the overall population, and substantially higher than for people who have neither owned nor purchased savings bonds.

Current owners and recent purchasers also tend to have higher overall investments than the rest of the population. About 6 in 10 current owners (62%) and recent purchasers (60%) have $5,000 or more total savings and investments, as compared to 47% of the overall sample having saved or invested $5,000 or more.

Rec .:al differences in distribution of bond ownership: There are substantially higher levels of bond ownership and recent bond purchase in the Northeast and Midwest, as compared to the South and West. Two interesting points emerge from these findings. First, there are marked differences between recent purchase and non-recent purchase in the South and West. Only about 1 in 4 Southerners and Westerners have purchased bonds in the past 2 years, but about 3 in 10 Southerners and Westerners say they purchased bonds more than 2 years ago. This suggests that there may be recent developments causing bond purchases to fall off in these two regions. Second, the rates of bond ownership and recent purchase differ depending upon which portion of the Western region is examined. Rates of bond ownership and recent bond purchase in the Mountain region of the West are only 15% and 13%, respectively. Rates of bond ownership and recent bond purchase in the Pacific region of the West, however, are somewhat higher: 21% and 17%, respectively.

CHAPTER II: HOW ARE SAVINGS BONDS OBTAINED AND WHAT AMOUNTS ARE PURCHASED?

How are savings bonds obtained?: Half of all current savings bond owners have at least some bonds that were received as gifts. About 2 in 10 current owners (22%) only have gift bonds. Roughly half (48%) of current owners bought all of their bonds for themselves.

Of the 76% of current bond owners who purchased at least some of their bonds for themselves, the plurality of bonds have been obtained over-the-counter through banks, savings and loans, and credit unions (46%). Payroll savings plans account for 41% of current owners bond purchases. Of those who did obtain their bonds through payroll savings plans, about two thirds (64%) were enrolled at their own current place of employment. The remaining one third used either a payroll savings plan where someone else in the household works, or a plan at a previous place of employment.

Total value of bonds owned: Nearly 4 in 10 (39%) current owners own bonds with face values totaling $1,000 or more, including 19% who have $4,000 or more in bonds. Another 4 in 10 (42%) hold bonds totaling less than $1000.

CHAPTER III: FOR WHAT PURPOSES ARE BONDS PURCHASED AND REDEEMED?

Purposes for which bonds were purchased: One third (31%) of current owners say that they bought the bonds for education (either for themselves or their children). Another 2 in 10 (22%) say that they plan to use the money for retirement. However, people who purchased the bonds for themselves, and bought them recently, are more likely to cite these long-term goals than are people who received the bonds as gifts.

Why do bond owners redeem them?: Nearly three fourths (71%) of people who have ever owned savings bonds have redeemed them. About 4 in 10 (39%) of these people had kept the bonds for 5 years or less at the time they were redeemed. The largest proportion of people (25%) redeem the bonds to pay bills, or because they need cash, rather than for a long term goal such as education or retirement. Only 1 in 10 use the money for education, either for themselves or for a family member. About the same proportion (11%) use the money for a major purchase or to buy a car, 9% use the money to buy a house or property, and 7% reinvest the money. Virtually none say that they used the money for retirement.

Three quarters (75%) of those who say that bonds are less attractive to them than other types of investments have redeemed bonds, as compared to 68% of those who feel that bonds are more attractive than other investments.

CHAPTER IV: INVESTOR UNDERSTANDING OF SAVINGS BONDS

Knowledge of savings bonds: Accurate knowledge of savings bonds is limited. Only 13% of household financial decision makers feel that they know a great deal about savings bonds. Nearly half (47%) feel that they know some, and about one fourth (24%) say that they know not much about savings bonds. An additional 15% say that they know nothing about savings bonds.

- *Current interest rates*: Knowledge of the current interest rate on savings bonds is extremely limited, with fully 91% of household financial decision makers saying that they do not know the current rate. Of the few respondents who say that they know the current interest rate of savings bonds, more than half (56%) think that the rate is below 5%. Only about one fourth of this group estimate the rate between 6% and 6.99%. About 4 in 10 (41%) say that the interest rate is set at the time of purchase; only 1 in 4 (26%) say that the interest rate varies. Fully one third do not know whether or not the interest rate varies. Those 1 in 4 people who said that the interest rate varies were asked if there is a minimum rate below which the interest rate cannot fall. Just under half of this group (45%) know that there is a minimum rate, but nearly two thirds (65%) are unsure what this rate is. A mere 6% of this group estimate the minimum interest rate at between 5% and 6.99%.

  Comparison to 1-year bank savings certificates: When asked to compare the interest rate of savings bonds to 1-year bank savings certificates, more than 1 in 4 household financial decision makers (27%) are not sure how they compare. Another 1 in 4 (24%) say that the savings bonds interest rate is higher, whereas about 3 in 10 (29%) think the two rates are about the same. 1 in 5 (20%) think that savings bonds carry a lower interest rate than 1-year bank savings certificates. Thus, about half (49%) think that the interest rate for savings bonds are the same or lower than 1-year bank savings certificates.

- *Maturity*: 3 in 10 household financial decision makers are not sure how long it takes for bonds to reach face value. Nearly 4 in 10 (38%) say that it takes between 6 and 10 years. 19% think it takes 5 years or less, and 12% think it takes more than 10 years for the bonds to reach their face value. Half say that you can cash in the bonds with interest before they reach maturity. Just over one third (35%) believe that you need to wait until the bond matures in order to cash it in with interest.

Advertising: Household financial decision makers who say that they have any knowledge at all about savings bonds were asked if they have seen or heard anything about savings bonds in the past 3 months. 4 in 10 indicate that they have. One important additional source of information regarding savings bonds is the employer. Nearly 1 in 4 household financial decision makers (23%) cite this source of information. A large portion of this group, however, are people who buy bonds through a payroll savings plan -- about 3 in 10 (28%). It is also important to note that many of the positive features of savings bonds -- current rates, tax advantages, and so on are not mentioned in the advertising.

CHAPTER V: ATTRACTIVENESS OF BONDS

Liked features of savings bonds: Of those household financial decision makers who have any knowledge at all about savings bonds, the positive feature most often cited is the safety and security of the investment (20%). The other more popular features of savings bonds mentioned by this group are (a) the idea that bonds force you to save because you need to hold onto the bonds, (b) the competitive interest rate, (c) the convenience of purchasing bonds, and (d) the fact that bonds have a guaranteed yield. A comparison of recent purchasers and non-purchasers reveals substantial differences on these features:

- *Safety*: One fourth (24%) of recent (past 2 years) purchasers cite the safety of the investment as a particularly valued feature, as compared to 16% of non-purchasers. Further, 23% of people who have not purchased bonds in quite some time (3 years ago or more), are likely to cite safety as a liked feature.

- *Convenience*: 16% of recent bond purchasers mention convenience as opposed to 5% of people who have never bought bonds.

- *Competitive Interest Rate*: 15% of recent purchasers cite this feature; only 6% of non-purchasers do.

- *Forced Savings*: 21% of recent purchasers, as opposed to only 5% of non-purchasers, cite this feature. Not surprisingly, more than one third (35%) of people enrolled in a payroll savings plan mention forced savings as something they particularly like.

- *Tax Breaks*: 10% of recent purchasers say that the tax advantage is particularly desirable. Only 3% of non-purchasers mention this advantage.

- ***No particular liked features of savings bonds***: 43% of people who have never purchased bonds say that there is nothing in particular that they like, as compared to 17% of recent purchasers.

Disliked features of savings bonds: Household financial decision makers who have any knowledge of bonds were also asked if there was anything they particularly dislike about savings bonds. Fully 58% of this group, including 60% of recent purchasers, said that there is nothing that they particularly dislike about bonds. Of those who said that there were features of savings bonds that they dislike, 15% mention that they dislike having to wait for the bond to reach maturity, and 14% mention low interest rates. There are virtually no differences between recent purchasers and non-purchasers on any disliked attributes of savings bonds.

Specific features mentioned by Recent Purchasers: People who have purchased savings bonds in the past 2 years were asked for the most important reasons why they purchased the bonds. The most important reason for almost half of this group (43%) is the safety of savings bonds as an investment. An additional 13% cite competitive interest rates as the most important reason; 12% mention the fact that there are no federal taxes on the bonds until you cash them in; and 11% say that the fact that they are easy to buy is the most important reason to them.

Specific features mentioned by Non-Recent Purchasers: People who have not purchased savings bonds in the past 2 years were asked whether savings bonds are more or less attractive to them than other types of investments. Nearly 6 in 10 (58%) say that savings bonds are more attractive; 34% say that savings bonds are less attractive than other types of investments. When asked why they thought that savings bonds were more attractive than other types of investments, nearly half of this group (49%) cite the safety of the investment, with an additional 20% mentioning the competitive interest rate bonds provide. Interestingly, this finding represents a change from earlier in the survey, when non-recent purchasers of bonds were likely to cite interest rates as a feature that they disliked. It seems that providing information regarding interest rates during the course of the survey resulted in some changed attitudes.

The group that feels that savings bonds are less attractive than other forms of investment were also asked why they feel this way. More than 4 in 10 (42%) feel that the interest rate isn't as good as other investments; 1 in 4 (24%) mention having to wait until the bond matures as the reason they feel that savings bonds are less attractive than other forms of investment.

CHAPTER VI: PURCHASE AND DISTRIBUTION OF SAVINGS BONDS

Distribution System: Just over half of all household financial decision makers (53%) indicate that the bank branch they use most often sells savings bonds. However, 4 in 10 are not sure whether their bank branch sells the bonds or not. Of those who say that their branch does sell savings bonds, nearly 9 in 10 (86%) say that no one at their bank has ever suggested buying savings bonds.

Fully two thirds of household financial decision makers who are currently employed outside of the home do not have a payroll savings plan available to them. As noted earlier, there is a great deal of interest in payroll savings plans. 59% of people who do not currently have such a plan available to them would be likely to enroll. Of those people employed outside of the home, fully three fourths work for businesses with fewer than 2,000 employees. Expanding the payroll savings plan to these individuals shows great potential.

The use of receipts rather than bonds by banks does not appear to be a problem. A brief (2-3 week) period between purchasing the bonds and receiving them does not seem to concern potential bond purchasers. When the entire sample of household financial decision makers was asked whether the change would affect their likelihood of buying bonds, fully 82%

say that waiting 2 - 3 weeks to receive the bonds in the mail would have no impact on their decision. 77% of people who would be likely to buy bonds through such alternatives as an ATM or post office, and 87% of people who would be likely to buy bonds for college expenses would still purchase the bonds if they received the bonds 2 - 3 weeks later. For the few who said that they would be less likely to buy savings bonds if the bond were mailed to them, the two largest concerns are (1) the desire to have the bond in their hands right away (56%) and (2) the fear that the bonds could be stolen or lost in the mail (23%).

New Distribution Mechanisms: About two thirds of household financial decision makers (66%) feel that savings bonds are already easy to purchase. Only 2 in 10 feel that bonds are difficult to purchase. The overwhelming majority (81%) said that if they wanted to purchase a savings bond they would go to a bank. Only about one third (37%) say that they would be likely to buy bonds at an ATM, post office, grocery store or department store, whereas 61% say they would not. Of those who say they would be likely to purchase a savings bond through these alternative sites, fully two thirds prefer to use a bank, half (54%) say they would use a post office, about one third would use an ATM (35%) or grocery store (32%), and very few (2%) would use a department store.

At-Home Purchase Options: Household financial decision makers were asked whether or not various at-home purchase options would affect the likelihood of their buying savings bonds. Just under 2 in 10 (16%) say that calling a toll free number and charging the bonds to a credit card would make them more likely to buy bonds; 82% say this option would not make them more likely to buy. About 3 in 10 (29%) say that calling a toll free number and charging the bonds to their checking account would make them more likely to buy bonds; 69% say this option would not make them more likely to buy. And 13% say that the ability to buy bonds through a PC-based service would make them more likely to buy bonds; 85% say this option would not make them more likely to buy.

Most people who may be interested in using these at-home purchase options are unwilling to pay more than a nominal fee for them.

CHAPTER VII: USING BONDS FOR EDUCATION

A large potential market for savings bonds consists of people saving for education. Nearly half (45%) of the household financial decision makers surveyed said that they personally have plans to save for education either now or in the next few years. Yet only about one fourth of this group (23%) has heard or read anything about the Special Education Savings Bond. When informed of the Special Education Savings Bonds, fully three fourths (77%) of those with plans to save for education feel that the Special Education Savings Bonds are either an excellent or good way to save for education, compared to other methods. But they are not particularly happy about the income limits. About 4 in 10 (39%) think that the limits should be raised or eliminated, even though about three fourths of this group (72%) think they are currently within the income limit.

ATTRACTIVENESS OF BONDS INCREASES WITH KNOWLEDGE

About a third of the way through the survey, people who have not bought bonds in the past 2 years were asked whether savings bonds are more or less attractive to them, compared to other types of investments. Only 10% say that savings bonds are more attractive to them. At the end of the survey, after a great deal of information about savings bonds had been presented, a similar question was asked of the total group of household financial decision makers. Fully 58% say that savings bonds are a lot more attractive or somewhat more attractive to them than other investment vehicles, including 52% of people who have not bought bonds in the past 2 years.

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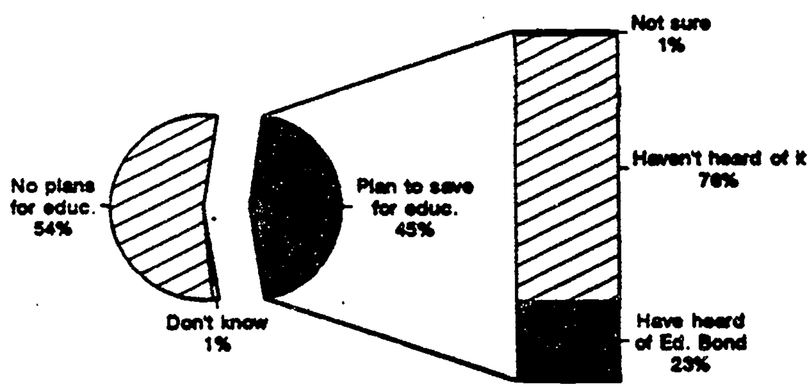
CHAPTER VII:
USING BONDS FOR EDUCATION

A very large proportion of the public has plans to save for education, yet very few have ever heard of the Special Education Savings Bond. Reaction to the bonds is extremely positive, but about 2 in 5 feel that the income limits needed to qualify are too low.

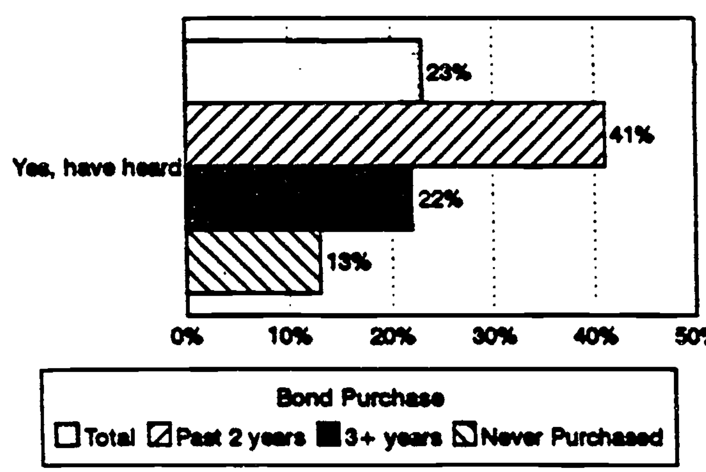
Fully 45% of household financial decision makers say that they have plans to save for education within the next few years, including two thirds (65%) of people age 44 or younger. However, three fourths (77%) of people with plans to save for education have never heard of the Special Education Savings Bond (Figure 7.1). Current owners and recent purchasers are more likely to have heard of these bonds than people who have never owned or never purchased bonds (Figure 7.2).

Figure 7.1
Do you have plans to save for education?
Have you heard of the Special Education Bonds?



Base: Household financial decision makers

Figure 7.2
Have you heard about the Special Education Savings Bond?
(by Bond Purchase)



Base: Plans to save for education

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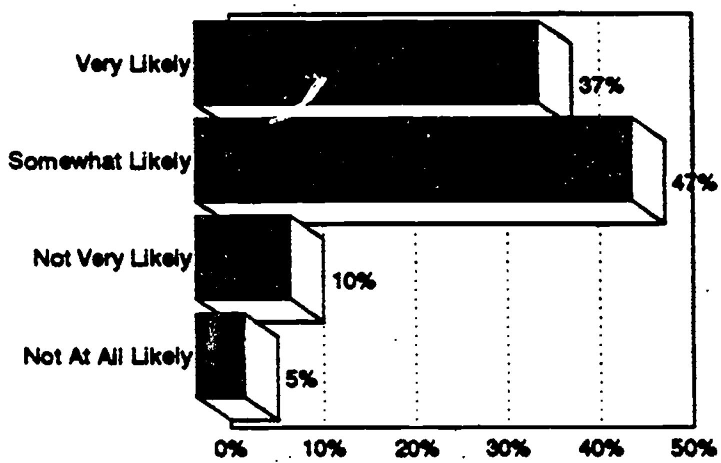
After hearing about the Special Education Savings Bonds, three fourths (77%) of people with plans to save for education say that they are a good or excellent way to save for education, compared to other ways to save. Only 2 in 10 (19%) feel that they are only a fair or poor way to save for education. Fully 84% of people with plans to save for education say that they are at least somewhat likely to purchase Special Education Savings Bonds (Figure 7.3).

Figure 7.3
Likelihood of purchasing Special Education Savings Bonds



Base: Plans to save for education

As appealing as the Special Education Savings Bonds are, a substantial minority of people with plans to save for education think that the income limits are too low. Nearly 4 in 10 (39%) say that the limits should be raised or eliminated, including nearly half of current owners (51%) and recent purchasers (49%) (Table 7.1).

Table 7.1
Opinion of the Income Limits on Special Education Savings Bonds

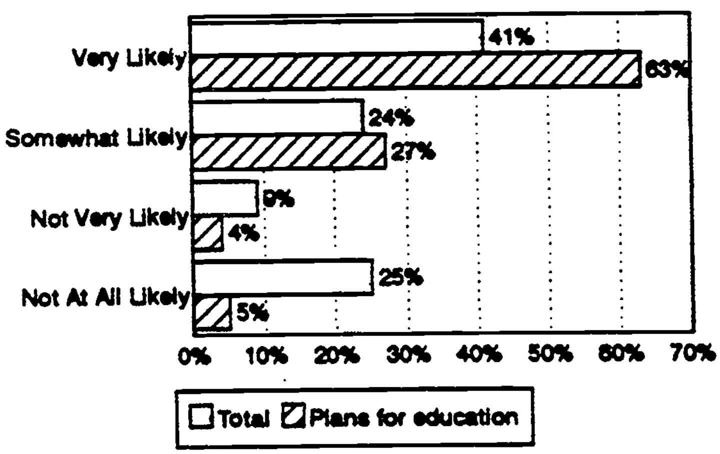
Q. 50: Do you feel that the income level to qualify for the Education Savings Bond should be...

(Base: plans to save for education)		Bond Ownership			Bond Purchase			
	Total (1086) %	Current Owner (332) %	Past not cur. (307) %	Never (426) %	Past 2 yrs (283) %	3-10 yrs ago (150) %	10+ yrs ago (86) %	Never (560) %
Raised	37	49	41	24	47	47	45	27
Lowered	16	11	11	22	11	11	13	20
About Right	44	37	43	51	40	38	34	50
Eliminated	2	2	4	1	2	3	5	1

Th· slike of the income limits holds even though 7 in 10 (71%) of people with plans to save for education say that they would qualify under the current limits.

All household financial decision makers, including those without immediate plans to save for education, were asked whether they would be likely to buy savings bonds if the bonds were tax free when used for education. Two thirds (65%) say that they would be at least somewhat likely to buy bonds if this were the case, including 91% of those who have plans to save for education (Figure 7.4).

Figure 7.4
Likelihood of purchasing Savings Bonds
if tax-free for Education



Base: Household financial decision makers

Having to wait 2-3 weeks for the bonds to be delivered does not affect this finding -- almost 9 in 10 (87%) say that they would still buy the bonds, including 89% of those with plans to save for education.

<u>**Observation**</u>
People with plans to save for education are a large potential market for savings bonds, particularly the Special Education Savings Bonds. However, with the exception of current owners and recent purchasers, almost no one knows about the bonds. Increasing awareness of how bonds can be used to pay for education should expand the market of savings bonds to this large potential client base.

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APPENDIX A: METHODOLOGY

Sampling Procedures

Two thousand four hundred and two telephone interviews were conducted with household financial decision makers in a national random digit dial (RDD) cross-section sample of Americans. SRBI's procedure in developing the population-based sample for this telephone survey involved three steps. The first stage sample was an area probability based selection of primary sampling units with sample allocation distributed in proportion to the geographic distribution of the target population. The second stage of the sampling process employed RDD sampling of telephone households within the primary sampling units selected in the first stage. The third stage of sample construction was the systematic selection of the household financial decision maker within each sampled household. These procedures yield a relatively unbiased sample of the target population in the United States from which valid generalizations can be made to the total population, within specified limits of sampling.

An adult respondent at each number drawn into the sampling frame was contacted about the composition of the household. Telephone numbers that yielded non-residential contacts, e.g. businesses, churches, college dormitories, etc., were screened out. Only households, i.e., residences at which any number of related individuals or no more than five unrelated persons living together, were eligible for inclusion in the sample. Similarly, households with no adults (persons aged 18 and older) living in the household were screened out.

At this point in the sample selection, the screen for household financial decision makers was introduced. The respondent was asked "Are you the person MOST responsible for making the financial decisions in your household, or is it someone else?". The person who makes the financial decisions, or is jointly responsible for financial decisions with someone else, was included in the survey. The average interview lasted 22 minutes. Spanish language interviews were conducted when appropriate. Interviewing dates were June 19 to August 16, 1992.

Weighting Procedures

The final design for the survey used a household, rather than a population sample. The weights applied to the data, then, were appropriate to households rather than adult population. The following steps were taken to weight the final data set:

- The unequal opportunity for selection in a RDD sample of households with multiple phone lines was corrected for by giving those households with more than one telephone number a weight of 0.5, while all other cases were given a weight of 1.0.

- The achieved sample was corrected for racial bias based on the race/ethnicity of the head of household. Racial composition weights were based on the 1990 Census for cells targets by region.

- The weighted distribution was compared to differences in household size and income based on the 1990 Census. Differences were virtually nonexistent, therefore the data were not weighted by household size and income.

- Finally, the weighted distribution of the sample by region was corrected to the 1990 Census estimates of the number of households by region.

SCHULMAN, RONCA, & BUCUVALAS, INC.
Study No. 4093 September 10, 1992

U. S. SAVINGS BONDS AWARENESS

-Q.44g- Which one of these would you be most likely to use to buy Savings Bonds?

BASE: Likely to use more than one places to buy Savings Bonds in Q.44f

		AGE					REGION				INCOME				TOTAL SAVINGS/INVESTMENTS					SAV.	EDU. PLANS
	TOTAL	18-34	35-44	45-54	55-64	65 & Older	North-east	South	Mid-west	West	$15k-less	>$15-$35k	>$35-$50k	Over $50k	<$5k	$5-<$10k	$10-<$25k	$25-<$100k	>$100k	Very likely	Yes
UNWEIGHTED TOTAL	535	202	154	103	39	31	105	197	130	103	105	179	107	120	276	82	62	60	37	313	326
TOTAL	540	210	153	102	39	31	103	201	134	103	113	181	108	115	281	84	61	60	35	314	330
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
An ATM	74	31	20	18	4	*	16	23	12	24	11	24	13	23	34	13	10	9	4	39	39
	14%	15%	13%	17%	10%	2%	15%	11%	9%	23%	10%	13%	12%	20%	12%	15%	16%	16%	11%	12%	12%
A Post Office	101	36	28	22	8	6	22	36	30	14	18	38	24	17	54	20	8	12	5	54	57
	19%	17%	18%	22%	21%	21%	21%	18%	22%	14%	16%	21%	22%	15%	19%	24%	13%	21%	14%	17%	17%
A Bank	272	104	81	39	22	20	51	102	68	51	62	94	53	49	144	37	32	28	20	164	174
	50%	50%	53%	39%	56%	66%	50%	51%	51%	50%	55%	52%	50%	42%	51%	44%	52%	47%	56%	52%	53%
A Grocery Store	79	34	20	19	4	2	13	33	22	11	22	22	13	20	45	11	7	8	6	47	48
	15%	16%	13%	19%	10%	8%	13%	16%	16%	11%	20%	12%	12%	18%	16%	13%	12%	14%	18%	15%	14%
A Department Store	10	3	2	4	-	1	1	3	2	3	-	3	2	6	3	2	2	1	-	6	8
	2%	1%	1%	4%	-	3%	1%	2%	1%	3%	-	1%	1%	5%	1%	2%	4%	2%	-	2%	2%
None of these	1	1	-	-	-	-	-	1	-	-	-	-	1	-	-	1	-	-	-	1	1
	*	*	-	-	-	-	-	*	-	-	-	-	1%	-	-	1%	-	-	-	*	*
Not sure/Don't know	3	1	1	-	1	-	-	2	1	-	-	1	2	-	2	-	1	-	-	2	2
	1%	*	1%	-	3%	-	-	1%	1%	-	-	1%	2%	-	1%	-	2%	-	-	1%	1%
Refused	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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SCHULMAN, RONCA, & BUCUVALAS, INC.
Study No. 4093 September 10, 1992

U. S. SAVINGS BONDS AWARENESS

-Q.44h- If the interest on Savings Bonds were tax free if used for college education, how likely would you be to purchase a Savings Bond?

		AGE					REGION				INCOME				TOTAL SAVINGS/INVESTMENTS					SAV.	EDU. PLANS
	TOTAL	18-34	35-44	45-54	55-64	65 & Older	North-east	South	Mid-west	West	$15k-less	>$15-$35k	>$35-$50k	Over $50k	<$5k	$5-<$10k	$10-<$25k	$25-<$100k	>$100k	Very likely	Yes
UNWEIGHTED TOTAL	2402	699	641	407	266	345	480	846	567	509	481	803	436	510	1048	343	276	315	226	1301	1079
TOTAL	2403	712	636	403	265	344	470	854	573	506	502	811	436	483	1075	345	271	304	214	1287	1086
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
LIKELY (NET)	1554	595	478	237	110	113	317	551	363	323	289	541	293	337	754	236	174	181	112	872	984
	65%	83%	75%	59%	41%	33%	67%	65%	63%	64%	58%	67%	67%	70%	70%	68%	64%	59%	52%	68%	91%
Very likely	986	386	291	148	77	68	223	344	233	186	175	330	195	223	473	154	124	99	71	597	686
	41%	54%	46%	37%	29%	20%	47%	40%	41%	37%	35%	41%	45%	46%	44%	45%	46%	32%	33%	46%	63%
Somewhat likely	568	209	187	89	33	45	94	207	130	136	114	211	98	114	281	82	50	82	41	275	298
	24%	29%	29%	22%	12%	13%	20%	24%	23%	27%	23%	26%	23%	24%	26%	24%	19%	27%	19%	21%	27%
NOT LIKELY (NET)	819	110	158	162	150	221	148	290	201	179	202	261	141	141	310	107	96	118	98	403	96
	34%	15%	25%	40%	56%	64%	31%	34%	35%	35%	40%	32%	32%	29%	29%	31%	35%	39%	46%	31%	9%
Not very likely	216	52	46	38	30	47	32	88	49	48	42	84	44	35	92	36	25	32	15	117	40
	9%	7%	7%	9%	11%	14%	7%	10%	9%	9%	8%	10%	10%	7%	9%	10%	9%	11%	7%	9%	4%
Not likely at all	602	57	113	124	120	175	116	203	152	131	161	177	97	106	218	72	71	86	82	286	55
	25%	8%	18%	31%	45%	51%	25%	24%	27%	26%	32%	22%	22%	22%	20%	21%	26%	28%	38%	22%	5%
Don't know	25	8	1	5	3	8	4	10	7	4	9	8	2	3	10	2	-	5	1	9	6
	1%	1%	*	1%	1%	2%	1%	1%	1%	1%	2%	1%	*	1%	1%	1%	-	2%	*	1%	1%
Refused	5	-	-	-	3	2	1	2	2	-	2	1	-	2	1	-	1	-	3	2	-
	*	-	-	-	1%	1%	*	*	*	-	*	*	-	*	*	-	*	-	1%	*	-

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SCHULMAN, RONCA, & BUCUVALAS, INC.
Study No. 4093 September 10, 1992

U. S. SAVINGS BONDS AWARENESS

-Q.47- Do you personally have plans to save for education either now or in the next few years?

		AGE					REGION				INCOME				TOTAL SAVINGS/INVESTMENTS					SAV.	EDU. PLANS
	TOTAL	18-34	35-44	45-54	55-64	65 & Older	North-east	South	Mid-west	West	$15k-less	>$15-$35k	>$35-$50k	Over $50k	<$5k	$5-<$10k	$10-<$25k	$25-<$100k	>$100k	Very likely	Yes
UNWEIGHTED TOTAL	2402	699	641	407	266	345	480	846	567	509	481	803	436	510	1048	343	276	315	226	1301	1079
TOTAL	2403 100%	712 100%	636 100%	403 100%	265 100%	344 100%	470 100%	854 100%	573 100%	506 100%	502 100%	811 100%	436 100%	483 100%	1075 100%	345 100%	271 100%	304 100%	214 100%	1287 100%	1086 100%
Yes, have plans	1086 45%	491 69%	389 61%	137 34%	33 13%	23 7%	201 43%	406 48%	244 43%	235 46%	182 36%	371 46%	221 51%	257 53%	543 51%	172 50%	125 46%	119 39%	65 31%	656 51%	1086 100%
No, do not have plans	1287 54%	211 30%	242 38%	261 65%	227 86%	317 92%	261 56%	432 51%	326 57%	267 53%	312 62%	429 53%	211 48%	223 46%	516 48%	169 49%	143 53%	185 61%	148 69%	616 48%	- -
Not sure/Don't know	29 1%	10 1%	5 1%	5 1%	5 2%	4 1%	7 2%	15 2%	3 1%	3 1%	8 2%	11 1%	4 1%	3 1%	16 1%	4 1%	3 1%	1 *	1 *	14 1%	- -
Refused	1 *	- -	- -	- -	- -	- -	1 *	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	1 *	- -

ENCLOSURE I

SCHULMAN, RONCA, & BUCUVALAS, INC.
Study No. 4093 September 10, 1992

U. S. SAVINGS BONDS AWARENESS

-Q.48- Have you heard or read anything about the Special Education Savings Bond?

BASE: Yes, have a plan to save for education in Q.47

		AGE					REGION				INCOME				TOTAL SAVINGS/INVESTMENTS					SAV.	EDU. PLANS
	TOTAL	18-34	35-44	45-54	55-64	65 & Older	North-east	South	Mid-west	West	$15k-less	>$15-$35k	>$35-$50k	Over $50k	<$5k	$5-<$10k	$10-<$25k	$25-<$100k	>$100k	Very likely	Yes
UNWEIGHTED TOTAL	1079	480	392	138	33	24	202	401	239	237	172	360	219	273	527	171	125	122	72	661	1079
TOTAL	1086	491	389	137	33	23	201	406	244	235	182	371	221	257	543	172	125	119	65	656	1086
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Yes, have heard	246	96	91	35	14	10	50	82	60	54	31	64	54	82	83	42	40	38	24	173	246
	23%	19%	23%	26%	41%	46%	25%	20%	25%	23%	17%	17%	24%	32%	15%	25%	32%	32%	36%	26%	23%
No, have not heard	833	392	296	101	20	12	150	321	183	179	152	303	168	173	458	129	84	79	41	479	833
	77%	80%	76%	74%	59%	54%	75%	79%	75%	76%	83%	82%	76%	67%	84%	75%	67%	67%	63%	73%	77%
Not sure/Don't know	7	4	3	1	-	-	1	2	1	3	-	4	-	2	2	1	1	1	1	4	7
	1%	1%	1%	1%	-	-	*	1%	*	1%	-	1%	-	1%	*	1%	1%	1%	1%	1%	1%
Refused	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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ENCLOSURE I

SCHULMAN, RONCA, & BUCUVALAS, INC.
Study No. 4093 September 10, 1992

U. S. SAVINGS BONDS AWARENESS

-Q.49- Compared to other ways to save for education, would you say that Savings Bonds are an... way to save for education?

BASE: Yes, have a plan to save for education in Q.47

	AGE						REGION				INCOME				TOTAL SAVINGS/INVESTMENTS					SAV.	EDU. PLANS
	TOTAL	18-34	35-44	45-54	55-64	65 & Older	North-east	South	Mid-west	West	$15k-less	>$15-$35k	>$35-$50k	Over $50k	<$5k	$5-<$10k	$10-<$25k	$25-<$100k	>$100k	Very likely	Yes
UNWEIGHTED TOTAL	1079	480	392	138	33	24	202	401	239	237	172	360	219	273	527	171	125	122	72	661	1079
TOTAL	1086 100%	491 100%	389 100%	137 100%	33 100%	23 100%	201 100%	406 100%	244 100%	235 100%	182 100%	371 100%	221 100%	257 100%	543 100%	172 100%	125 100%	119 100%	65 100%	656 100%	1086 100%
EXCELLENT/GOOD (NET)	841 77%	375 76%	309 79%	103 75%	27 80%	20 89%	171 85%	308 76%	182 75%	179 76%	143 78%	283 76%	179 81%	196 76%	432 80%	130 75%	102 82%	84 71%	49 75%	519 79%	841 77%
Excellent	258 24%	119 24%	85 21%	35 25%	9 28%	10 43%	50 25%	86 21%	65 27%	57 24%	43 23%	88 24%	44 20%	69 27%	126 23%	38 22%	34 27%	21 18%	23 34%	174 27%	258 24%
Good	583 54%	256 52%	226 58%	68 49%	17 52%	10 46%	121 60%	222 55%	118 48%	122 52%	100 55%	195 53%	135 61%	127 49%	305 56%	92 53%	68 55%	63 53%	27 41%	344 52%	583 54%
FAIR/POOR (NET)	203 19%	98 20%	63 16%	30 22%	6 17%	2 11%	25 12%	81 20%	54 22%	43 18%	33 18%	73 20%	35 16%	54 21%	94 17%	35 20%	19 15%	29 25%	15 23%	117 18%	203 19%
Fair	173 16%	88 18%	54 14%	24 17%	5 14%	2 11%	23 11%	68 17%	49 20%	34 14%	24 13%	67 18%	33 15%	43 17%	81 15%	31 18%	13 10%	27 23%	13 20%	102 16%	173 16%
Poor	29 3%	11 2%	9 2%	6 4%	1 3%	- -	2 1%	13 3%	5 2%	9 4%	8 5%	6 2%	2 1%	11 4%	13 2%	4 2%	6 5%	2 2%	2 3%	15 2%	29 3%
Don't know	43 4%	18 4%	17 4%	4 3%	1 3%	- -	4 2%	18 4%	8 3%	13 5%	7 4%	14 4%	7 3%	7 3%	17 3%	8 5%	4 3%	5 4%	1 2%	20 3%	43 4%
Refused	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -

ENCLOSURE I

SCHULMAN, RONCA, & BUCUVALAS, INC.
Study No. 4093 September 10, 1992

U. S. SAVINGS BONDS AWARENESS

-Q.50- Do you feel that the income level to qualify for the Education Savings Bonds should be...

BASE: Yes, have a plan to save for education in Q.47

		AGE					REGION				INCOME				TOTAL SAVINGS/INVESTMENTS					SAV.	EDU. PLANS
	TOTAL	18-34	35-44	45-54	55-64	65 & Older	North-east	South	Mid-west	West	$15k-less	>$15-$35k	>$35-$50k	Over $50k	<$5k	$5-<$10k	$10-<$25k	$25-<$100k	>$100k	Very likely	Yes
UNWEIGHTED TOTAL	1079	480	392	138	33	24	202	401	239	237	172	360	219	273	527	171	125	122	72	661	1079
TOTAL	1086	491	389	137	33	23	201	406	244	235	182	371	221	257	543	172	125	119	65	656	1086
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Raised	396	170	146	59	8	8	89	118	95	94	27	74	87	184	153	66	55	53	43	301	396
	37%	35%	38%	43%	24%	37%	44%	29%	39%	40%	15%	20%	39%	72%	28%	38%	44%	45%	66%	46%	37%
Lowered	171	75	62	20	7	4	28	75	37	31	51	76	27	9	100	31	16	13	2	71	171
	16%	15%	16%	15%	21%	17%	14%	18%	15%	13%	28%	20%	12%	4%	18%	18%	13%	11%	3%	11%	16%
About right	478	235	166	48	17	9	77	198	102	101	100	209	99	55	269	72	50	48	18	261	478
	44%	48%	43%	35%	52%	39%	38%	49%	42%	43%	55%	56%	45%	21%	50%	42%	40%	40%	27%	40%	44%
Limits should be eliminated	23	7	9	4	-	1	6	5	8	3	-	7	4	6	10	3	2	4	1	14	23
	2%	2%	2%	3%	-	7%	3%	1%	3%	1%	-	2%	2%	3%	2%	2%	2%	3%	2%	2%	2%
Not sure/Don't know	17	3	7	6	1	-	1	10	2	5	4	5	4	2	10	1	2	1	1	9	17
	2%	1%	2%	4%	3%	-	*	2%	1%	2%	2%	1%	2%	1%	2%	1%	2%	1%	2%	1%	2%
Refused	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

ENCLOSURE I

ENCLOSURE I

SCHULMAN, RONCA, & BUCUVALAS, INC.
Study No. 4093 September 10, 1992

U. S. SAVINGS BONDS AWARENESS

-Q.51- Would you be within the income limits of the plan--that is under $60,000 for couples or under $40,000 for single taxpayers?

BASE: Yes, have a plan to save for education in Q.47

		AGE					REGION				INCOME				TOTAL SAVINGS/INVESTMENTS					SAV.	EDU. PLANS
	TOTAL	18-34	35-44	45-54	55-64	65 & Older	North-east	South	Mid-west	West	$15k-less	>$15-$35k	>$35-$50k	Over $50k	<$5k	$5-<$10k	$10-<$25k	$25-<$100k	>$100k	Very likely	Yes
UNWEIGHTED TOTAL	1079	480	392	138	33	24	202	401	239	237	172	360	219	273	527	171	125	122	72	661	1079
TOTAL	1086 100%	491 100%	389 100%	137 100%	33 100%	23 100%	201 100%	406 100%	244 100%	235 100%	182 100%	371 100%	221 100%	257 100%	543 100%	172 100%	125 100%	119 100%	65 100%	656 100%	1086 100%
Yes, would qualify	780 72%	380 77%	265 68%	85 62%	25 76%	19 83%	133 66%	320 79%	169 69%	158 67%	159 87%	339 92%	184 83%	70 27%	462 85%	115 67%	87 70%	64 54%	19 29%	422 64%	780 72%
No, would not quality	271 25%	100 20%	112 29%	47 34%	6 18%	3 15%	63 31%	72 18%	66 27%	70 30%	19 11%	26 7%	33 15%	179 70%	71 13%	56 33%	36 29%	51 43%	43 66%	211 32%	271 25%
Not sure/Don't know	23 2%	5 1%	9 2%	3 2%	2 6%	* 2%	5 2%	6 1%	7 3%	5 2%	3 1%	5 1%	4 2%	4 2%	9 2%	1 1%	1 1%	2 2%	3 5%	15 2%	23 2%
Refused	12 1%	6 1%	3 1%	2 1%	- -	- -	- -	8 2%	2 1%	2 1%	1 1%	- -	1 *	3 1%	1 *	- -	1 1%	1 1%	- -	8 1%	12 1%

ENCLOSURE I

SCHULMAN, RONCA, & BUCUVALAS, INC.
Study No. 4093 September 10, 1992

U. S. SAVINGS BONDS AWARENESS

-Q.52- How likely would you be to purchase Education Savings Bonds...?

BASE: Yes, would qualify in Q.51

		AGE					REGION				INCOME				TOTAL SAVINGS/INVESTMENTS					SAV.	EDU. PLANS
	TOTAL	18-34	35-44	45-54	55-64	65 & Older	North-east	South	Mid-west	West	$15k-less	>$15-$35k	>$35-$50k	Over $50k	<$5k	$5-<$10k	$10-<$25k	$25-<$100k	>$100k	Very likely	Yes
UNWEIGHTED TOTAL	764	367	264	84	24	19	131	314	163	156	152	329	183	72	448	112	85	65	20	418	764
TOTAL	780 100%	380 100%	265 100%	85 100%	25 100%	19 100%	133 100%	320 100%	169 100%	158 100%	159 100%	339 100%	184 100%	70 100%	462 100%	115 100%	87 100%	64 100%	19 100%	422 100%	780 100%
LIKELY (NET)	655 84%	323 85%	223 84%	70 83%	20 78%	15 79%	119 90%	255 80%	148 88%	133 84%	123 77%	294 87%	156 85%	60 86%	391 85%	96 83%	73 84%	55 86%	18 95%	367 87%	655 84%
Very likely	291 37%	147 39%	88 33%	39 46%	9 36%	8 42%	60 45%	116 36%	62 37%	53 34%	52 33%	137 40%	63 35%	30 42%	163 35%	44 38%	37 42%	27 41%	11 60%	175 41%	291 37%
Somewhat likely	364 47%	176 46%	135 51%	31 37%	11 42%	7 37%	60 45%	138 43%	86 51%	80 50%	71 45%	157 46%	92 50%	30 43%	228 49%	52 45%	37 42%	28 44%	7 35%	191 45%	364 47%
NOT LIKELY (NET)	117 15%	53 14%	39 15%	14 17%	6 22%	3 16%	14 10%	59 18%	20 12%	24 15%	34 21%	42 12%	26 14%	10 14%	68 15%	18 16%	12 14%	9 14%	- -	55 13%	117 15%
Not very likely	76 10%	35 9%	26 10%	6 8%	4 17%	3 16%	11 8%	38 12%	15 9%	13 8%	21 13%	28 8%	20 11%	5 8%	44 9%	13 11%	6 7%	8 13%	- -	42 10%	76 10%
Not at all likely	40 5%	18 5%	12 5%	8 9%	1 6%	- -	3 2%	21 7%	5 3%	11 7%	14 8%	13 4%	6 3%	4 6%	24 5%	5 5%	6 7%	1 2%	- -	12 3%	40 5%
Not sure	8 1%	4 1%	3 1%	- -	- -	1 5%	- -	6 2%	1 1%	1 1%	2 1%	3 1%	2 1%	- -	3 1%	1 1%	2 2%	- -	1 5%	1 *	8 1%
Refused	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -

ENCLOSURE II

Status of Thrift Savings Plan Education Loans, by Year Issued (as of 6/15/94)

Loans Issued in 1988

Status of Loan	Number	Percent	Amount	Average
Outstanding	0	0.0%	$0.00	$0.00
Paid in Full	645	91.6%	$1,468,445.97	$2,276.66
TD--Separation a/	53	7.5%	$114,902.37	$2,167.97
TD--Active b/	6	0.9%	$14,341.29	$2,390.22
Totals c/	704	100.0%	$1,597,689.63	$2,269.45

Loans Issued in 1989

Status of Loan	Number	Percent	Amount	Average
Outstanding	10	0.6%	$23,020.07	$2,302.01
Paid in Full	1,575	90.5%	$4,423,188.32	$2,808.37
TD--Separation	138	7.9%	$379,904.88	$2,752.93
TD--Active	17	1.0%	$38,184.45	$2,246.14
Totals	1740	100.0%	$4,864,297.72	$2,795.57

Loans Issued in 1990

Status of Loan	Number	Percent	Amount	Average
Outstanding	749	21.8%	$3,293,387.78	$4,397.05
Paid in Full	2,440	71.1%	$7,013,613.14	$2,874.43
TD--Separation	206	6.0%	$651,348.93	$3,161.89
TD--Active	36	1.0%	$93,015.51	$2,583.76
Totals	3431	100.0%	$11,051,365.36	$3,221.03

Loans Issued in 1991

Status of Loan	Number	Percent	Amount	Average
Outstanding	2,316	44.2%	$9,949,866.93	$4,296.14
Paid in Full	2,573	49.1%	$7,459,666.33	$2,899.21
TD--Separation	313	6.0%	$1,008,752.03	$3,222.85
TD--Active	41	0.8%	$118,755.38	$2,896.47
Totals	5243	100.0%	$18,537,040.67	$3,535.58

Loans Issued in 1992

Status of Loan	Number	Percent	Amount	Average
Outstanding	4,641	70.6%	$19,152,954.06	$4,126.90
Paid in Full	1,601	24.4%	$4,844,028.75	$3,025.63
TD--Separation	267	4.1%	$950,314.09	$3,559.23
TD--Active	62	0.9%	$199,562.87	$3,218.76
Totals	6571	100.0%	$25,146,859.77	$3,826.95

Loans Issued in 1993

Status of Loan	Number	Percent	Amount	Average
Outstanding	6,988	93.2%	$28,024,548.86	$4,010.38
Paid in Full	373	5.0%	$1,144,024.24	$3,067.09
TD--Separation	117	1.6%	$354,483.46	$3,029.77
TD--Active	18	0.2%	$47,819.42	$2,656.63
Totals	7496	100.0%	$29,570,875.98	$3,944.89

a/ Loans terminated by taxable distribution at time of separation.
b/ Loans terminated by taxable distribution for active employees.
c/ Does not include loans issued to CIA employees.
Note: Percentages may not total 100 due to rounding.
Source: Federal Retirement Thrift Investment Board.

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General Accounting Office
Washington, D.C. 20548-0001

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