

**MEMORANDUM**

TO: File No. 4-610

FROM: Alicia F. Goldin  
Division of Trading and Markets

DATE: August 4, 2011

RE: Meeting with Representatives of the College Savings Plans Network (CSPN)

On July 12, 2011, the following representatives of CSPN:

- Joan Marshall, CSPN Chair; Executive Director, College Savings Plans of Maryland;
- Mary Morris, CSPN Executive Board member; CEO, Virginia College Savings Plan;
- Mary Anne Busse, Co-Chair, CSPN Legal/Regulatory Affairs Committee; Member, CSPN Corporate Affiliates Committee; Managing Director, Great Disclosure, LLC;
- Jamie Canup, Vice Chair, CSPN Corporate Affiliates Committee; Member, CSPN Legal/Regulatory Affairs Committee; CSPN Strategic Planning Committee; Partner, Kaufman & Canoles, P.C.; and
- Christopher Hatcher, Principal, Williams & Jensen, PLLC

met with Commissioner Elisse B. Walter; Dave Sanchez, Mary Simpkins, John McWilliams, and Alicia Goldin from the Division of Trading and Markets; Will Hines from the Division of Corporation Finance; Heather Clark from the Office of Compliance, Inspections and Examinations; Mark Zehner from the Division of Enforcement; and Doug Scheidt from the Division of Investment Management to discuss issues relating to college savings plans. CSPN provided the attached written information.



# **529 Plan Informational Briefing**

**U.S. Securities and Exchange  
Commission**

**July 12, 2011**



# CSPN Representatives

**Joan Marshall** – CSPN Chair & Executive Director, College Savings Plans of Maryland

**Mary Morris** – CSPN Executive Board member & CEO, Virginia College Savings Plan

**Mary Anne Busse** – Co-Chair, CSPN Legal/Regulatory Affairs Committee; Member, CSPN Corporate Affiliates Committee; & Managing Director, Great Disclosure LLC

**Jamie Canup** – Vice Chair, CSPN Corporate Affiliates Committee; Member, CSPN Legal/Regulatory Affairs Committee; CSPN Strategic Planning Committee; & Partner, Kaufman & Canoles, P.C.

**Christopher Hatcher** – Principal, Williams & Jensen, PLLC



**Continuing increases in college costs and student loan debt reinforce the need for American families to save for college. Study also affirms the aspirational value of a college savings account**

## **Student loan debt surpasses credit card debt**

\$829.785 billion - Student loans outstanding as of August, 2010 — both federal and private — according to **Mark Kantrowitz**, publisher of FinAid.org and FastWeb.com.

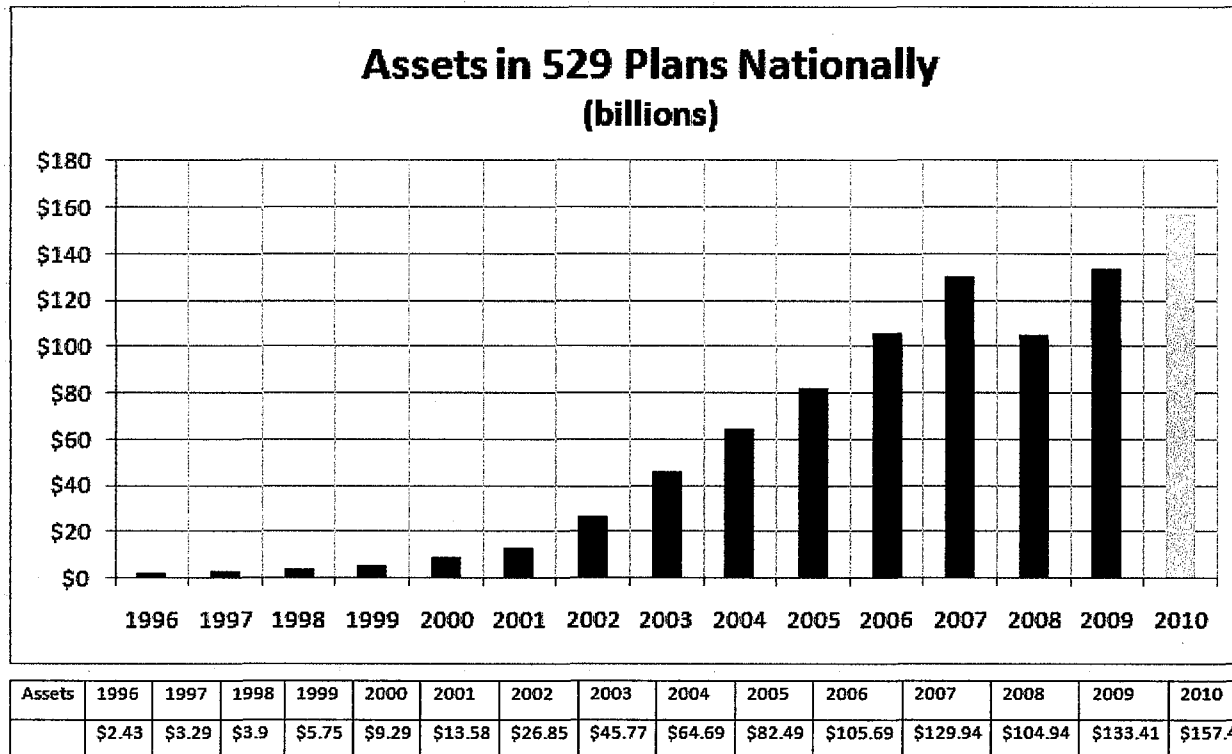
\$826.5 billion - Americans owe in revolving credit, according to June 2010 figures from the **Federal Reserve**. (Most of revolving credit is credit-card debt.)

**Students who have any amount saved for higher education in their name are six times more likely to attend a four-year college than children with no dedicated college savings account.** (Source: Center for Social Development)



# National 529 Market – as of 12/31/10

- Assets reach record high level of \$157.4 billion
- 18% increase in assets during 2010
- Strong and consistent recovery from 2008 market decline

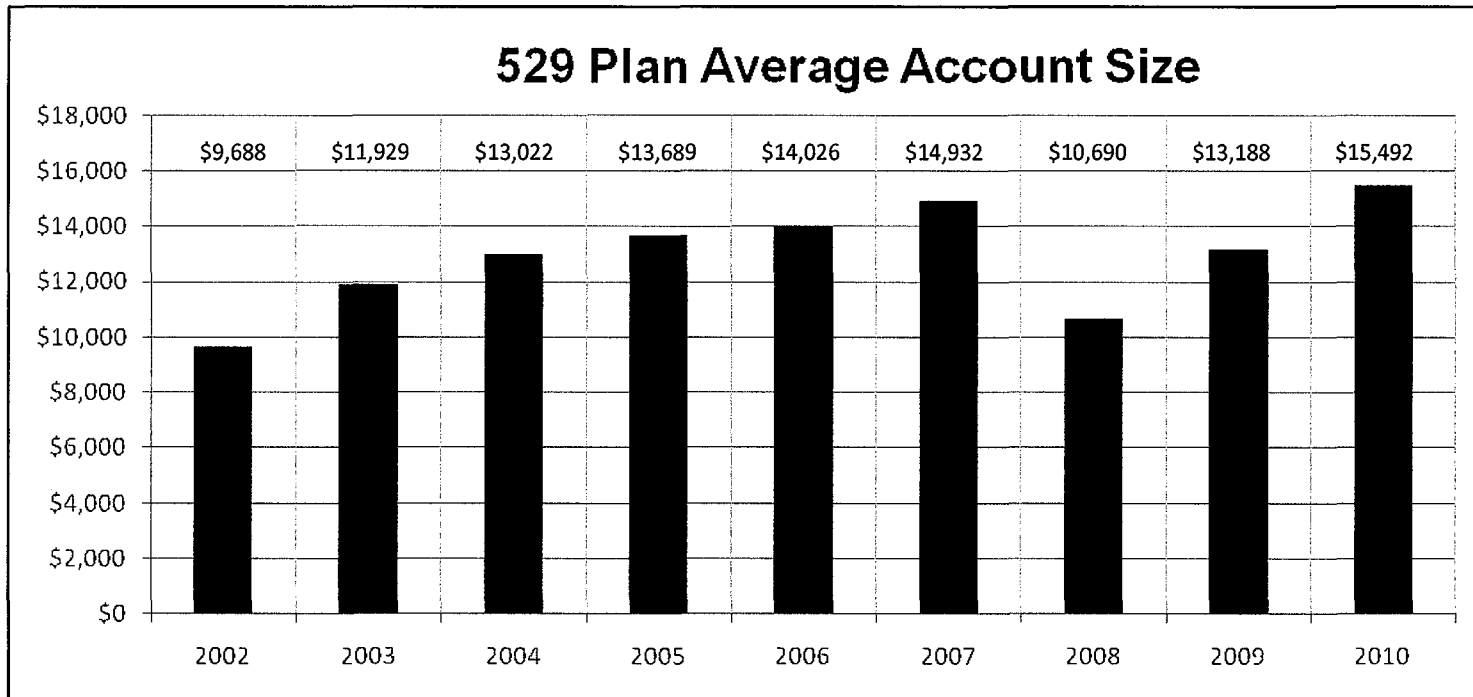


CSPN's 529 Report – April 2011



## Average Account Size – as of 12/31/10

- Record high of \$15,492 - 17.5% increase during 2010
- **Average account size is still less than today's one-year total average cost of attending an in-state public college, reported by the College Board to be \$16,140 for 2010-2011.**





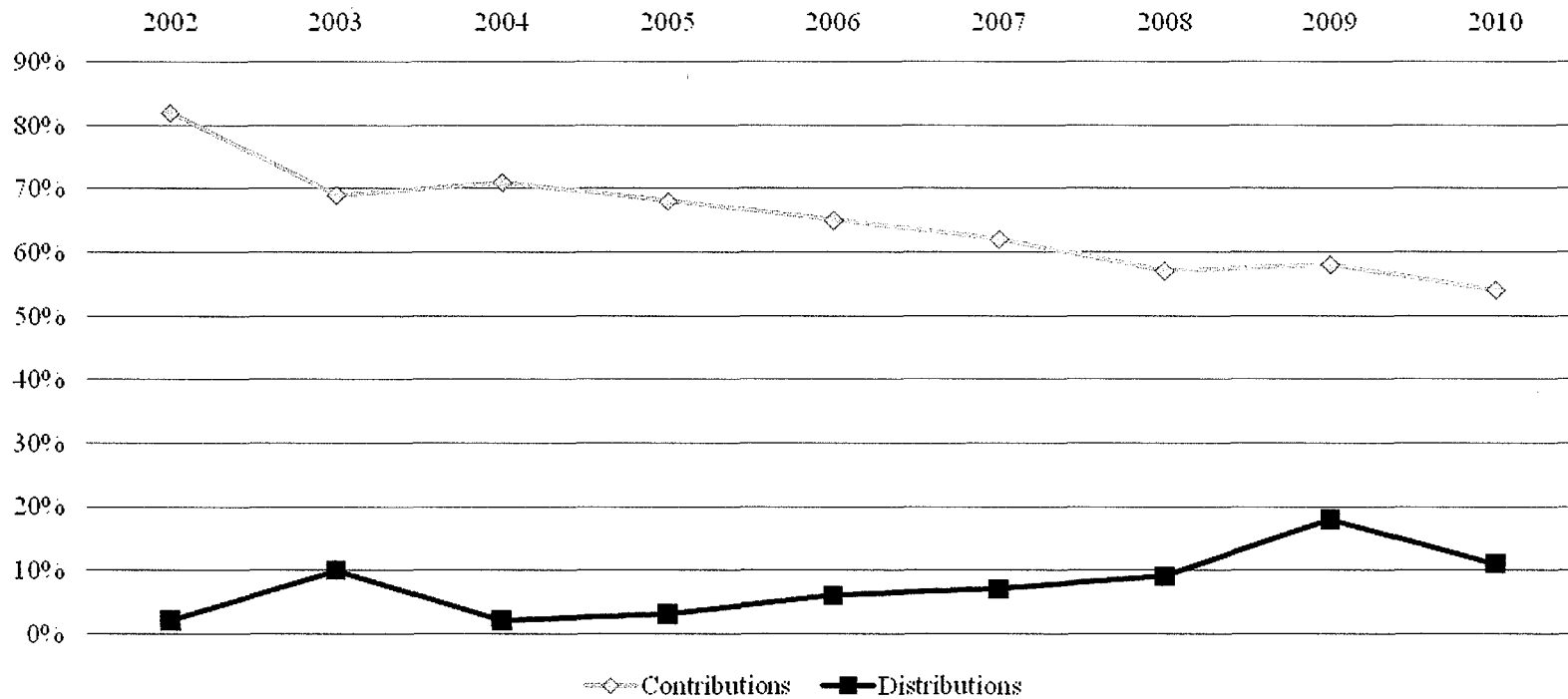
# Account Activity - 2010

- \$18 billion contributed to new and existing 529 accounts.
- 54% of all 529 accounts received contributions, which is down slightly from 58% as reported December 31, 2009.
- 1.1 million 529 accounts (11% of all accounts) took a distribution. This represents 5% of the total number of U.S. college students, reported by the Chronicle of Higher Education to be 22 million as of 2007-2008.



# Account Activity – 2010 (cont.)

## Percent of Accounts with Activity



% of accounts with	2002	2003	2004	2005	2006	2007	2008	2009	2010
Contributions	82%	69%	71%	68%	65%	62%	57%	58%	54%
Distributions	2%	10%	2%	3%	6%	7%	9%	18%	11%
Rollovers	0.69%	0.74%	0.82%	0.79%	0.71%	0.92%	0.78%	0.63%	0.85%





# 529 Plans/Investment Options

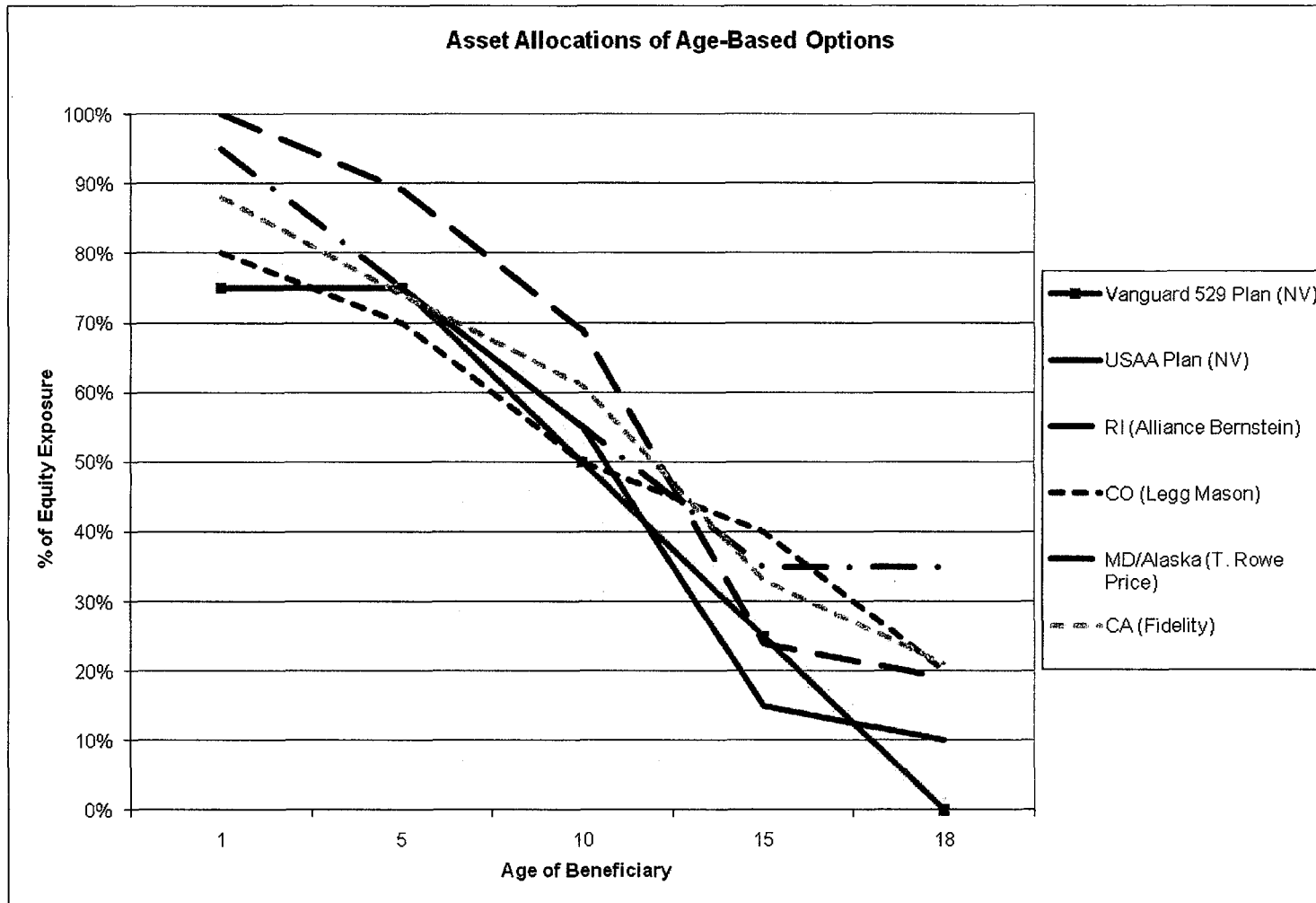
- 90 Savings Plans / 12 Open Prepaid Tuition Plans
- Total Savings Plan Investment Options:
  - 1069 Direct Sold
  - 706 Class A Share
  - 360 Class B Share
  - 655 Class C Share
- 73 Savings Plans offer Age-Based options
- 14 states offer FDIC or NCUA insured investment options
- All plans offer investment options that typically include static allocations to fixed income and/or equity

Source: [CollegeSavings.org](http://CollegeSavings.org)



# 529 Plans/Investment Options (cont.)

## Representative Sample of Age-Based Options





# 529 Plan Fees Continue to Decline

For **direct sold plans**, average Total Annual Asset Based Fees have declined by 15 basis points during the past 3 years.

The average Total Annual Asset Based Fee is **0.59%** as of 7/6/11.

This compares with past average Total Asset Based Fees of:

0.72% as of 2/9/09

0.745% as of 4/28/08

For **advisor sold plans**, average Total Annual Asset Based Fees have declined by 10 basis points during the past 3 years.

The average Total Annual Asset Based Fee for Class A shares is **1.21%** and the average Initial Sales Charge is 4.75% as of 7-6-11.

This compares with the average Total Annual Asset Based Fees for Class A shares of 1.25% as of 2/9/09 and 1.31% as of 4/24/08, with an average Initial Sales Charge of 4.75% that has held steady over the entire time period.



## **529 Plan Fees compare favorably with 401(k) Plan Fees**

A 2009 survey of 130 401(k) plans of various sizes by the ICI and Deloitte Consulting LLP found that the median all-in fee (that is, investments and recordkeeping) for the 401k plans surveyed was 0.72%.

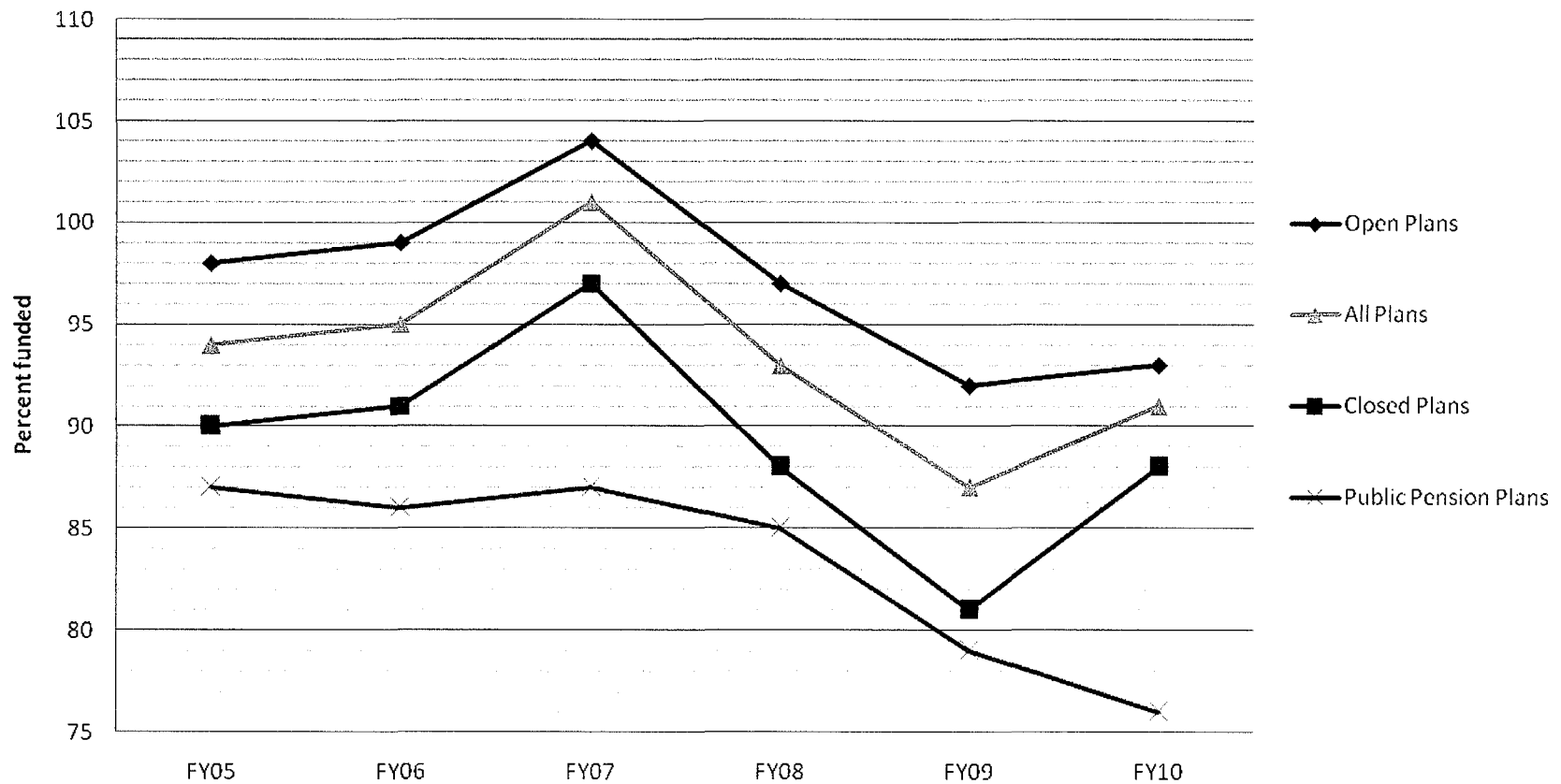
The survey also found that 90% of all 401k plans surveyed had an all-in fee of 1.72% or less.

As of July 6, 2011, CSPN has found that 90% of all direct sold 529 plan investment options have an all-in fee of 0.96% or less and 90% of all Class A share advisor sold 529 plan investment options have an all-in fee of 1.53% or less.



**Despite a few state-specific challenges, prepaid tuition plans remain attractive and viable options in the 12 states that continue to offer them.**

**Average Funded Status for Prepaid Plans (FY05-FY10)**





# Key CSPN Initiatives

**Legal/Regulatory Affairs Committee** – This is the largest and most comprehensive group of public and private sector attorneys in the 529 industry with broad and deep experience in a wide range of issues affecting 529 plans. Two initiatives to highlight include:

## **Municipal Advisor Letter to the SEC dated February 18, 2011**

**Disclosure Principles** - CSPN, the states, and their partners in the financial services industry are firmly committed to continuously enhancing disclosure for 529 plans. To that end, CSPN continues to develop and adopt an increasingly refined set of Disclosure Principles that provide enhanced comparability of information that investors should consider when determining which 529 plan best fits their investing goals and needs.

**DP No. 1** provided guidance on standards for summary information, risk factors, fees, federal and state tax information, performance data, sample tabular presentations - Adopted 12/4/04

**DP No. 2** enhanced the table of contents or “locator” concept - Adopted 7/26/05

**DP No. 3** added anti-abuse language - Adopted 12/9/08

**DP No. 4** added language recommending an annual review by investors to insure savings goals are aligned with investment choices - Adopted 12/17/09

**DP No. 5** provided a standard format for investment performance reporting - Adopted 5/3/11



# Key CSPN Initiatives (cont.)

## **Current Legislative Initiative – HR 529 includes four proposed enhancements to 529 plans:**

Two enhancements are designed to make saving for college more appealing to moderate income families:

**Extend SAVERs tax credit to include savings in a 529 plan** - The SAVER's credit (currently limited to retirement contributions) allows a nonrefundable tax credit to the contributor of up to \$1,000 for single filers or \$2,000 for joint filers. The eligibility for this credit is limited to those with incomes at or below \$28,250 single/\$56,500 joint for 2011.

**Allow employers to match employees' 529 plan contributions up to \$600 per year.** The employer match would be excluded from the employee's gross income, much as they can currently exclude greater amounts (up to \$5,250) that employers provide to employees through existing educational assistance plans.

Two technical improvements include:

**Allow computers and related equipment as a qualified expense** - A two-year version of this provision was included in the American Recovery and Reinvestment Act of 2009 which expired at the end of 2010.

**Allow investment redirection up to four times per year** - Treasury Notice 2009-1 allowed twice per year investment direction for 2009 only.



# Key CSPN Initiatives (cont.)

## Investor Education:

CSPN, with the aid of a public relations firm, proactively educates 529 plan investors and the public about the importance of saving for college and the features and tax advantages associated with saving in a 529 plan

- Semi-annual “529 Report”

- 6-8 press releases annually on topics such as 5/29 Day, reviewing your 529 savings options, College Savings Month, etc.

- Outreach to national media to correct common misperceptions about 529 plans

**CollegeSavings.org** is the most complete, non-commercial online source for information about 529 plans

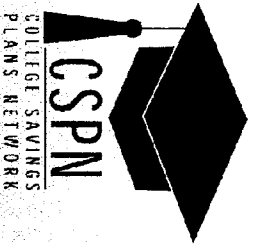
- Links to all state 529 plan web sites

- Detailed information about each 529 plan maintained by each state/program

- Unique plan comparison tool allows comparisons by fees, tax benefits, investment options, and many other attributes

- 529 Classroom provides consumer education and information





## **Open Discussion and Q&A**

**Web: [www.CollegesSavings.org](http://www.CollegesSavings.org)**

**Email: [cspn@csq.org](mailto:cspn@csq.org)**

**COLLEGE SAVINGS PLANS NETWORK  
DISCLOSURE PRINCIPLES  
STATEMENT No. 5  
ADOPTED BY THE COLLEGE SAVINGS PLANS NETWORK  
May 3, 2011**

The following disclosure principles have been developed by the College Savings Plans Network (“CSPN”) to recommend acceptable disclosure practices for state entities (“State Issuers”) that establish and maintain qualified tuition program savings plans pursuant to Section 529(b)(1)(A)(ii) of the Internal Revenue Code (“Savings Plans” and, collectively with qualified tuition program prepayment plans pursuant to Section 529(b)(1)(A)(i) of the Internal Revenue Code, “Section 529 Plans”) in their respective states (in each case, the “State”). The promulgation of these disclosure principles is not intended to suggest (1) that alternative disclosure practices may not be acceptable, or (2) a comprehensive list of disclosure matters that must be addressed in connection with Savings Plans in order to fulfill the responsibilities of State Issuers to their account owners. For example, to the extent that disclosure with respect to a Savings Plan, or to an investment option within a Savings Plan, is contained in a prospectus meeting the registration requirements of the Securities Act of 1933, as amended and the related rules, and such prospectus is delivered as part of the Offering Materials (as that term is defined in Paragraph 1 below), such disclosure need not appear elsewhere in the Offering Materials. These disclosure principles are also not intended to provide guidance concerning the disclosure obligations of broker-dealers or investment managers who are involved with Savings Plans.

This Disclosure Principles Statement No. 5 is an amendment and restatement of Disclosure Principles Statement No. 4 adopted December 19, 2009. However, this restatement is not intended to require a State Issuer to update its Offering Materials more frequently than as described in Paragraph 2 hereof.

**1. The Offering Materials.** The term “Offering Materials”, as used in these disclosure principles, is defined as all documents identified by the State Issuer as intended to provide substantive disclosure of the terms and conditions of an investment in its Savings Plan. Such Offering Materials may include appendices and physically separate documents. Offering Materials do not include marketing materials or advertisements that do not include substantive disclosure of such terms and conditions or that refer to the Offering Materials as the definitive statement of such terms and conditions. The Offering Materials should present information in a clear, concise and understandable manner.

**2. Updating the Offering Materials.** The Offering Materials should be updated, whether by supplement or republication, approximately annually to reflect the most recent annual performance data and other material changes in the information presented since the last Offering Materials were issued. State Issuers should provide interim supplements to the Offering Materials as deemed necessary by the State Issuer in order to prevent the Offering Materials from containing an untrue statement of material fact or omitting to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading. Any such supplements should be distributed to all existing account owners and should become part of the Offering Materials.

- D. The Offering Materials should include a description of the federal tax considerations relevant to Savings Plans. At a minimum, this description should include a discussion of the income tax considerations relevant to contributions, investment gains, and qualified and non-qualified distributions, as well as estate, gift and generation-skipping transfer tax considerations and any expiration dates that materially affect such considerations.
- E. The Offering Materials should include a description of the state tax considerations relevant to the Savings Plan to which the Offering Materials relate under the laws of the State. At a minimum, the description should include the tax considerations relevant to contributions, investment gains and qualified and non-qualified distributions as well as any differences in the State tax treatment of State resident and non-resident taxpayers.
- F. The Offering Materials should include a clear and concise description of the initial and on-going fees and costs associated with an investment in the Savings Plan, including whether fees are received by the State Issuer, by any private program manager or investment manager or by other private parties. The description should indicate that, if applicable, the fees and costs are subject to change at any time. All applicable fees should be disclosed in a single section of the Offering Materials. The description should identify which fees are determined by the amount invested and which fees are the same regardless of the account size and should disclose the total fees payable. If a State Issuer receives a fee, the Offering Materials should disclose whether the use of that fee is restricted to Savings Plan purposes and should describe those purposes. If there are fee reductions for any class of participants or type of withdrawal, those should be disclosed.

The description of fees and costs should include a fee and cost table. Suggested fee and cost tables are attached as Exhibit A. If a Savings Plan includes fees and costs in categories that differ from the categories included in Exhibit A, then a different tabular presentation that is at least as specific as the tables attached as Exhibit A should be used. State Issuers are encouraged to add an introductory paragraph to such tables, explaining principles followed and assumptions made by the State Issuer in preparing the tables. State Issuers are also encouraged to add explanatory footnotes to the fee and cost tables in order to make such tables clear and understandable.

- G. The Offering Materials should include a discussion of the performance of investment options that should generally conform to the requirements that would be applicable to the underlying investments if invested in directly. To the extent available, investment option performance data should be disclosed for one, five and ten year periods. To the extent that investment option performance data for any such period is not available, data should be disclosed for the life of the investment option. Performance data should be disclosed net of all generally applicable fees and costs and identified as such. The discussion of investment performance should state that past performance is not necessarily

for periodic audit of the Savings Plan's financial statements, including the identity of the auditor.

- K. The Offering Materials should include contact information for the Savings Plan as well as its web address, if any.
- L. The Offering Materials should include, in a prominent location, the following statement in the same or substantially similar language: Section 529 Qualified Tuition Programs are intended to be used only to save for qualified higher education expenses. These Programs are not intended to be used, nor should they be used, by any taxpayer for the purpose of evading federal or state taxes or tax penalties. Taxpayers may wish to seek tax advice from an independent tax advisor based on their own particular circumstances.

**4. Format and Consistency of Offering Materials.** The Offering Materials should be distributed in the format deemed most appropriate by the State Issuer, which may include distribution by hard copy, online or by other electronic formats. If the State Issuer distributes the Offering Materials in more than one format, the content of each version of the Offering Materials should be consistent across all media types.

Fee Structure C								
	Annual Asset-Based Fees						Additional Investor Expenses	
Investment Options	Estimated Underlying Fund Expenses <sup>1</sup>	Program Manager Fee	State Fee	Misc Fees <sup>2</sup>	Annual Distribution Fee	Total Annual Asset-Based Fees <sup>3</sup>	Maximum Deferred Sales Charge <sup>8</sup>	Annual Account Maintenance Fee <sup>5</sup>
Name	xx%	xx%	xx%	xx%	xx%	xx%	xx%	\$xx
Etc.	xx%	xx%	xx%	xx%	xx%	xx%	xx%	\$xx

Direct Fee Structure							
	Annual Asset-Based Program Fees						Additional Investor Expense
Investment Options	Estimated Underlying Fund Expenses <sup>1</sup>	Program Manager Fee	State Fee	Misc Fees <sup>3</sup>	Total Annual Asset-Based Fees <sup>9</sup>		Annual Account Maintenance Fee <sup>5</sup>
Name	xx%	xx%	xx%	xx%	xx%		\$xx
Etc.	xx%	xx%	xx%	xx%	xx%		\$xx

<sup>8</sup> This footnote should explain that the charge applies to sales during the first 12 months after the investment, if applicable.

<sup>9</sup> This total is assessed against assets over the course of the year and does not include account maintenance fees. The investor should be referred to the cost table that shows the total assumed investment cost over 1-, 3-, 5-, and 10-year periods.

**Example Investment Cost Chart for Offering Materials  
that Offer Both Adviser –Sold and Direct-Sold Purchase Alternatives**

The following table compares the approximate cost of investing in the different [unit classes] or through direct purchase in the [Savings Plan] over different periods of time. Your actual cost may be higher or lower. The table is based on the following assumptions:

- A \$10,000 investment invested for the time periods shown
- A 5% annually compounded rate of return on the net amount invested throughout the period
- All units are redeemed at the end of the period shown for qualified higher education expenses (the table does not consider the impact of any potential state or federal taxes on the redemption)
- Total annual asset-based fees remain the same as those shown in the [Fee Structure tables above]
- Expenses for each investment option include the entire annual account maintenance fee of \$[xx]
- The investor pays the applicable maximum initial sales charge (without regard to possible breakpoints) in Fee Structure A and any contingent deferred sales charges applicable to units invested for the applicable periods in Fee Structures B and C
- In the case of the ten-year investment period, the annual costs shown for the B Fee Structure assume units are converted to the A Fee Structure after X years.

**Approximate Cost of \$10,000 Investment**

Fee Structure	One Year						Three Year					
	A	B <sup>1</sup>	B <sup>2</sup>	C <sup>1</sup>	C <sup>2</sup>	Direct	A	B <sup>1</sup>	B <sup>2</sup>	C <sup>1</sup>	C <sup>2</sup>	Direct
Investments:												
Name												
Etc.												

Fee Structure	Five Year						Ten Year					
	A	B <sup>1</sup>	B <sup>2</sup>	C <sup>1</sup>	C <sup>2</sup>	Direct	A	B <sup>1</sup>	B <sup>2</sup>	C <sup>1</sup>	C <sup>2</sup>	Direct
Investments:												
Name												
Etc.												

<sup>1</sup> Assumes redemption at the end of the period

<sup>2</sup> Assumes no redemption

### Example Additional Fee Charts

**Sales Charges:**

The maximum up-front sales charge you pay when you buy **A units** will differ depending upon the amount you invest. You pay a lower charge as the size of your investment increases to certain levels, which are called breakpoints. The sales charge you pay will be deducted directly from your investment. The table shows the rate of sales charge depending on the amount you invest.

A Units Gross Investment	Up-Front Sales Charge Percent
Up to \$[25,000]	
[as applicable]	
[as applicable]	
Etc.	

**B units** are sold without any up-front sales charges. However, if you sell your B units within [x] years of your purchase, a deferred sales charge will be deducted from your redemption proceeds, as shown below.

B Units sold within Year	Deferred Sales Charge
1	
2	
3	
4	
5	
[As applicable]	
[As applicable]	

**Possible Additional Fees:**

If applicable, additional fees and expenses deducted from each account or paid directly by the investor could include, as applicable:

	Percent	Dollars
<b>Application Fee</b>	As applicable	As applicable
<b>Cancellation Fee</b>	As applicable	As applicable
<b>Change in Beneficiary</b>	As applicable	As applicable
<b>Change in Investment Options</b>	As applicable	As applicable
<b>[Other charges as applicable]</b>	As applicable	As applicable









**FOR IMMEDIATE RELEASE**

**Media Contact:**  
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gretchen.steinmiller@fahlgren.com

## **College Savings Plans Network Arms Families With Facts They Need to Plan Ahead on “5/29 College Savings Day”**

**LEXINGTON, Ky. (May 24, 2011)** – When it comes to saving for college, many parents and families don’t know where to start—and when they do, they can be quickly overwhelmed with conflicting or misleading information. On May 29, the College Savings Plans Network (CSPN), a non-profit association that advocates for 529 college savings plans, will sponsor “5/29 College Savings Day” to combat misinformation in the market and educate families about the importance of saving for college.

“During the confusion of the financial crisis and the fallout that ensued, many myths were circulated about consumers’ investment options, including 529 plans,” said Joan Marshall, Chair of CSPN and Executive Director of the College Savings Plans of Maryland. “The truth is, 529 plans are convenient, tax-advantaged ways that families of all income levels can plan ahead to pay for college. On May 29, we encourage parents, grandparents, family members and friends to learn the facts about this important savings vehicle and make a plan to make higher education dreams a reality for their children and grandchildren.”

### **Top 10 Myths About 529 Plans**

**1. MYTH: 529 plans are only for wealthy investors.**

**FACT:** 529 plans have much lower required minimum contribution amounts than many other investments, making them accessible and convenient for families of any income level. Families can usually start a plan with as little as \$15 to \$25 per month.

**2. MYTH: I can just take out loans to pay for college, or my child will get financial aid.**

**FACT:** Approximately 60 percent of federal financial aid comes in the form of student loans, and all loans represent debt that a family must incur. Any savings that a family can put away, even small amounts, will produce meaningful results by reducing the final amount of debt taken on to pay for college.

**3. MYTH: Due to the recession and state budget gaps, investors in prepaid 529 plans have lost all of their investment.**

**FACT:** There are currently 12 states that offer a Prepaid Tuition or Guaranteed Savings Plan that allow for the pre-purchase of tuition based on today's rates to be paid out at the future cost when the beneficiary is in college. While some states needed to rectify budget gaps created by the recent financial crisis, to date, a

prepaid tuition plan has never run out of money to pay qualified higher education expenses of eligible beneficiaries.

**4. MYTH: 529 plans are only for young children.**

**FACT:** There is no maximum age for a 529 plan. Assets may be used at eligible schools offering adult career training or advanced degrees, including part-time programs.

**5. MYTH: If I save now, my child won't be eligible to receive as much financial aid later.**

**FACT:** The Deficit Reduction Act of 2005 specifies that funds saved in 529 plans are generally considered to be parental assets, which means that only about six percent of these assets are currently counted towards the family's expected contribution in federal need-based financial aid calculations.

**6. MYTH: A 529 plan can only be used at schools in my home state.**

**FACT:** Assets from 529 plans may be used at any school that is accredited and eligible to accept federal financial aid. This includes nearly all public and private colleges in the United States and many trade and technical schools as well. It even includes some colleges located outside of the US.

**7. MYTH: The tax advantages of 529 plans will expire.**

**FACT:** The Pension Protection Act of 2006 repealed the 2010 sunset of the federal tax exemption for Section 529 plans and ensures that money saved for higher education in 529 plans can continue to be used tax-free to help pay for college.

**8. MYTH: A 529 plan can only be used for a four-year college.**

**FACT:** Assets from 529 plans may be used at any eligible school, including two- and four-year colleges, graduate schools and many vocational and technical schools. Funds may be used for tuition, fees, certain room and board costs, and even books and supplies. IRS Publication 970 has details on this as well as tax benefits and consequences of investing in 529 plans..

**9. MYTH: If my child doesn't go to college, I will lose my money.**

**FACT:** A 529 account holder can change the plan's beneficiary to another eligible "member of the family," such as siblings or even oneself with no federal tax penalties.

**10. MYTH: Opening a 529 plan is complicated.**

**FACT:** Most 529 plans allow account holders to open an account online, and a wealth of information is available online for families seeking more information about 529 plans. CSPN's Web site, [www.CollegeSavings.org](http://www.CollegeSavings.org), offers convenient tools and valuable information to help families make wise decisions about saving for college.

"The most frustrating myth I hear is: 'I'll never be able to save enough,'" said Marshall. "Putting away even small sums of money can really pay off over time when families make a plan and stick to it. And having a 529 account sends a powerful, affirmative message that you are serious about helping a loved one prepare for the future. It even allows families to promote financial literacy in the home, by talking about how a 529 account is a great planning tool to help reduce college loan debt."

Marshall concluded, “On 529 College Savings Day, I invite families from every state to learn about their many options, and work together to develop an effective plan to help achieve their higher education dreams.”

# # #

**About College Savings Plans Network (CSPN)**

College Savings Plans Network (CSPN) is a leading voice for Section 529 College Savings Plans, one of the most popular, convenient and tax-advantaged ways to save for college. CSPN is a not-for-profit association affiliated with the National Association of State Treasurers (NAST) that brings together state administrators of 529 savings and prepaid plans as well as their private sector partners. Information that families of all income levels can use to make informed saving decisions is available on CSPN’s Web site, [www.CollegeSavings.org](http://www.CollegeSavings.org).



**FOR IMMEDIATE RELEASE**

**Media Contact:**  
Gretchen Steinmiller  
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## **School's Out, But College is Looming — College Saving Plans Network Encourages Parents to Save During the Summer Months**

**LEXINGTON, Ky. (July 5, 2011)** – School may be out for summer, but now is the perfect time of year for parents to be thinking about their children's higher education, according to the College Savings Plans Network (CSPN), the leading voice for Section 529 college savings plans. Not only are schedules less hectic during the summer months, but mid-year is also an opportune time for parents to check in on their college savings plans, particularly 529 savings and prepaid tuition plans, since federal guidelines enable parents to modify their 529 investments once per calendar year.

“Summer is a good time for parents to review their college savings plans to ensure that they are still aligned with their savings goals, and that they're satisfied with their investment selections and the amounts they are contributing,” said Joan Marshall, Chair of CSPN and Executive Director of the College Savings Plans of Maryland. “When it comes to saving for future education expenses, parents shouldn't have a ‘set it and forget it’ mentality, but rather should monitor and manage their investments to try to keep their family on track toward achieving their higher education goals.”

### **Six Summer Savings Strategies to Help Finance Your Child's Higher Education**

- 1. Have a plan.** If you haven't started to save for future higher education expenses, the present is always the best time to begin. The earlier you start saving, the more time you have for your money to hopefully grow. There are many ways to start saving with 529 plans, and these plans offer families a variety of tax-advantaged and affordable ways to start. Opening a 529 plan online or with an advisor is easy, and a wealth of information is available to help families choose the right plan for them. CSPN's website, [www.collegesavings.org](http://www.collegesavings.org), is the most complete, non-commercial online source of information and offers a unique comparison tool to help families select a 529 savings or prepaid tuition plan based on the criteria most important to them.
- 2. Review contributions.** If you already have a 529 plan, review your contributions to make sure they align with your current college savings goals. Ensure that you're investing an amount that fits with both your family's budget and your savings goals.

3. **Manage automatic contributions.** Setting up automatic contributions either from your bank account or through payroll deduction is easy and helps parents commit to saving for college on a regular basis. If you've had an automatic contribution in place for some time, review the amount you're investing each month or each paycheck to make sure you're keeping in step with rising college costs.
4. **Review investment options.** Generally, 529 account owners may adjust their investment allocation once a year, making the middle of the year a good time to consider any changes. Even if you have already exercised your annual option to move your investments, you are able at any time to invest new contributions into a different investment option.
5. **Talk about your plan with your children.** According to research from the Center for Social Development, students who have any amount saved for higher education in their name are six times more likely to attend a four-year college than children with no dedicated college savings account. Share your decision to save for higher education with your children to send a powerful, affirmative message that you are serious about helping them prepare for the future.
6. **Invest in yourself.** There is no maximum age for 529 savings plan, making them flexible vehicles for parents seeking to fund their own higher education expenses as well. Assets may also be used at eligible schools offering adult career training or advanced degrees, including part-time programs.

# # #

#### **About College Savings Plans Network (CSPN)**

College Savings Plans Network (CSPN) is the leading voice for Section 529 College Savings Plans, which are the most compelling ways for families to save for college. Affiliated with the National Association of State Treasurers (NAST), CSPN brings together state administrators of 529 savings and prepaid plans as well as their private sector partners and is dedicated to framing national policy affecting 529 plans. CSPN's website, [www.collegesavings.org](http://www.collegesavings.org), is the most complete, non-commercial online source for information about 529 plans. It features objective information and convenient tools, including a unique plan comparison tool that families can use to make informed decisions about saving for college.

APRIL 2011

COLLEGE SAVINGS PLANS NETWORK  
**529 REPORT**

AN EXCLUSIVE YEAR-END  
REVIEW OF 529 PLAN  
ACTIVITY



April 2011

The **College Savings Plans Network (CSPN)**, a leading non-biased and non-profit voice for Section 529 College Savings Plans, is pleased to present findings from its 2010 year-end **529 Report** which is designed to provide the latest information about 529 plans to parents, financial advisors and other key stakeholders who need to make informed decisions on how best to save for college.

In this report, you'll find aggregated data of 529 plans collected from 104 savings and prepaid tuition plans. These college savings plans are offered in all 50 states.

According to the U.S. Department of Labor, 62% of all U.S. jobs now require a minimum of two-year or four-year degrees, or special post-secondary occupation certificates or apprenticeships. That number is expected to increase to 75% by 2020. This indicates that planning for higher education expenses is more important today than ever before.

Findings from the 2010 year-end **529 Report** demonstrate that American families are continuing to invest in 529 plans, one of the most compelling ways for families of all income levels to plan ahead and save for college. CSPN is committed to helping families make that start by offering convenient tools and valuable information that can assist families in making wise decisions about saving for college. I encourage you to visit [www.CollegeSavings.org](http://www.CollegeSavings.org) to learn how 529 plans are helping millions of American families make higher education dreams a reality for their children and grandchildren.



Joan Marshall  
Chair  
College Savings Plans Network





## Executive Summary

The College Savings Plans Network's (CSPN) *529 Report* is an unbiased source for complete and up-to-date information on Section 529 College Savings Plans. The 2010 *529 Report* includes data from 104 savings and prepaid tuition plans. These college savings plans are offered in all 50 states.

CSPN, which is affiliated with the National Association of State Treasurers, aggregated the data which includes assets held in 529 accounts, the average size of 529 accounts, and the percent of contributions and distributions in 529 accounts for the time period of January 1, 2010 through December 31, 2010.

Data from 2010 shows that the total investment by American families in 529 plans has reached a record level of \$157.43 billion by year end. Including growth from new net contributions and investment returns, total assets in 529 plans grew by 18% in 2010. Similarly, the average 529 account plan balance increased 17.5% from 2009 to 2010 to \$15,492.

The report also demonstrates that saving for a college education continues to be a priority for parents and grandparents. More than half (54%) of all 529 accounts received contributions in 2010, up from 47% as reported June 30, 2010.

### 529 Plans

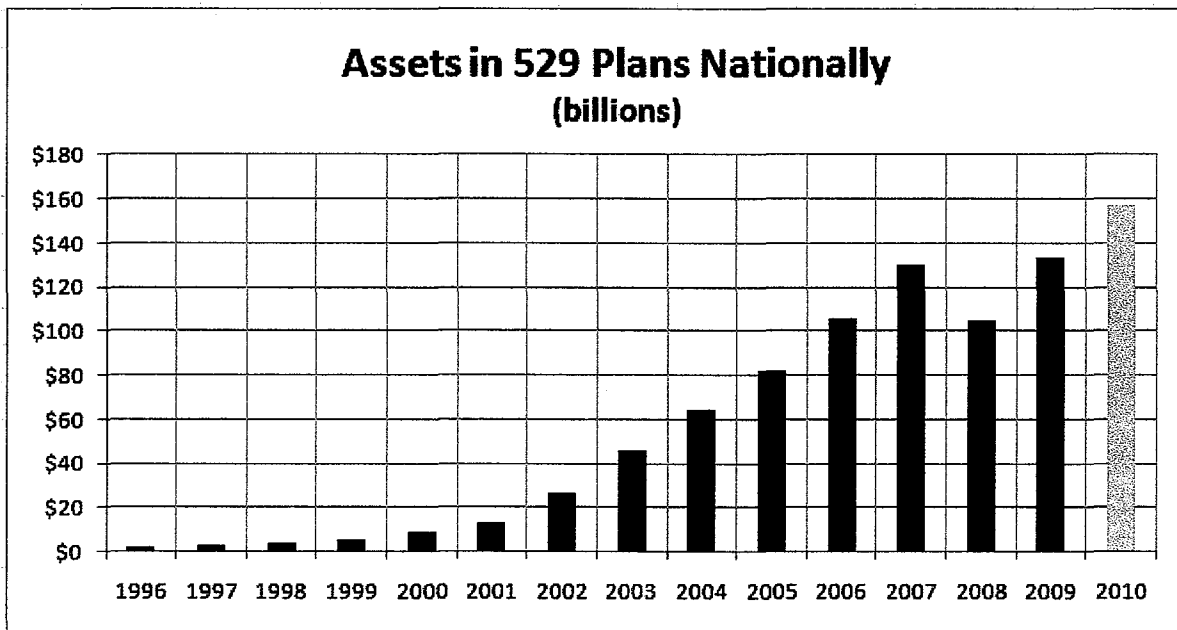
A 529 Plan is a tax-advantaged investment plan designed to encourage saving for the future higher education expenses of a designated beneficiary, which could be one's child or grandchild, but could also be any other individual (including oneself for adults investing for their own higher education). The plans are named after Section 529 of the Internal Revenue Code and are administered by state agencies and their private sector partners.

## American Families Are Increasing Savings for Higher Education

### Assets

The plan-level data collected shows that 529 plan assets reached record amounts in 2010 with \$157.43 billion. This is an 18% increase for the time period of January 1, 2010 to December 31, 2010. Assets in 529 plans were \$133.41 billion in 2009.

The chart below shows annual 529 plan assets based upon data collected from 1996 through 2010.



Assets	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
	\$2.43	\$3.29	\$3.9	\$5.75	\$9.29	\$13.58	\$26.85	\$45.77	\$64.69	\$82.49	\$105.69	\$129.94	\$104.94	\$133.41	\$157.43

\*Assets in billions

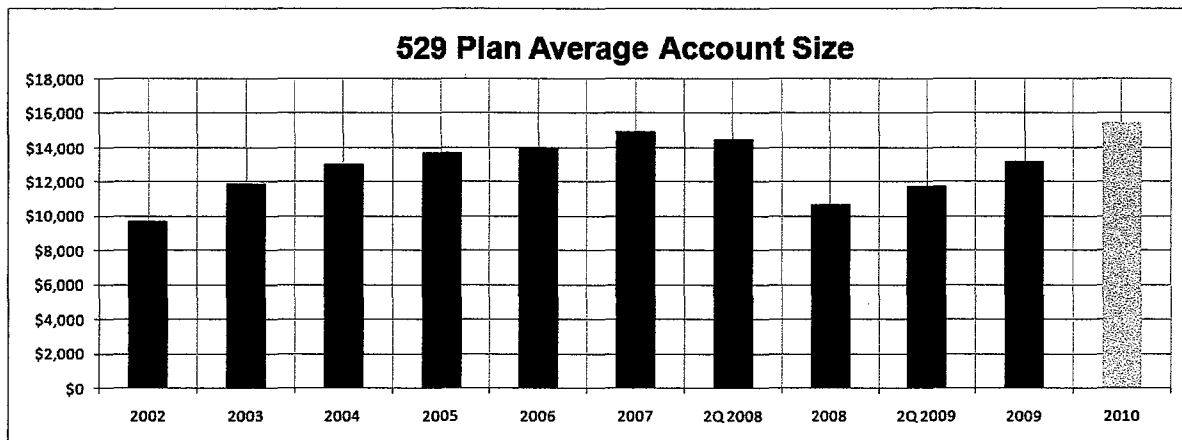
While assets in 529 plan accounts are steadily increasing, so is the cost of higher education. According to FinAid.org, college tuition is likely to increase about 8% each year, meaning that the cost of college doubles every nine years. As the national economy continues to recover, the 529 college savings market is stable and continues to grow, offering families a proactive vehicle to save for higher education and reduce their family's reliance on student loans.

## Average Account Size

The average value of a 529 account has returned to a trend of growth after tracking the market downturn in 2008. As of December 31, 2010, the average balance in a 529 plan account was \$15,492 compared to \$14,932 at the end of 2007. The average balance increased 17.5% from 2009 to 2010. This is a positive sign for those who agree that saving for college is a long-term investment and the U.S. can be more prosperous when our children have more education.

While this growth is a welcome trend, it is important to note that the current account balance in a 529 plan is still less than today's one-year total average cost of attending an in-state public college. According to the College Board's *2010 Trends in College Pricing* report, published in-state tuition and fees at public four-year institutions averaged \$7,605 in 2010-2011, while average total charges, including tuition and fees and room and board, were \$16,140.

The chart below shows the difference in average 529 plan account size for 2002-2010.



	2002	2003	2004	2005	2006	2007	2008	2009	2010
Assets	\$9,688	\$11,929	\$13,022	\$13,689	\$14,026	\$14,932	\$10,690	\$13,188	\$15,492

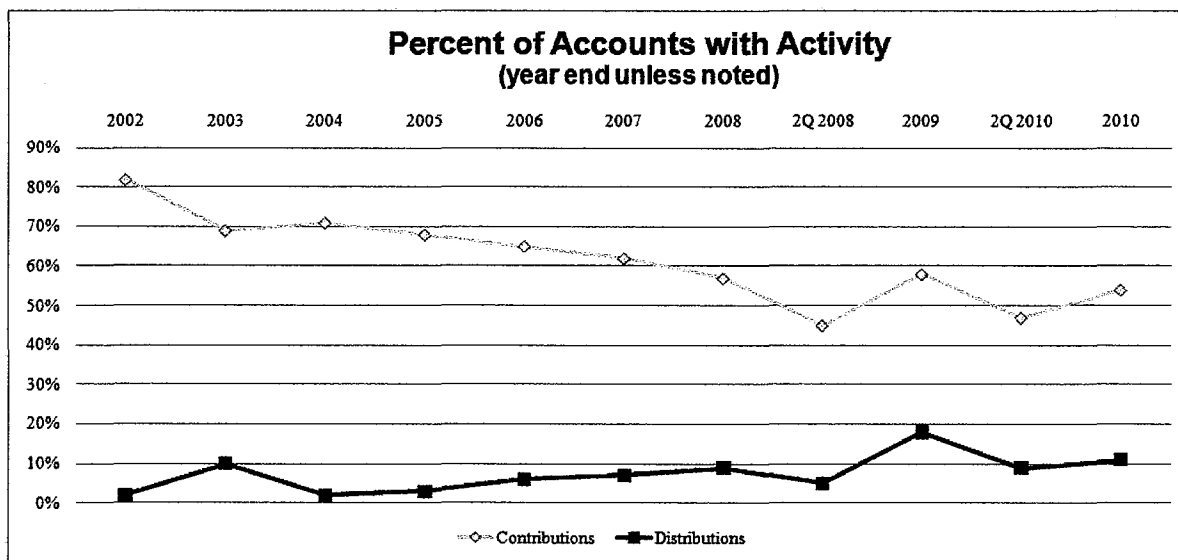
## Account Activity

Contributions to new and existing 529 accounts nationwide exceeded \$18 billion in 2010. More than half (54%) of all 529 accounts received contributions in 2010, up from 47% as reported June 30, 2010. This is down slightly from 58% as reported December 31, 2009.

Assets under management in 529 plans increased 11.5% in 2010 net of contributions and distributions from the plans. For comparative purposes, the S&P500 realized a 15% increase, and the Barclays Capital Aggregate Bond Index increased 5.5% during the same period. The returns of individual investment options in 529 plans vary due to the account holder's ability to invest in a variety of investment strategies including fixed income, equities, guaranteed return, or a blend of these strategies. Many individual options offered positive returns during the period.

529 account activity demonstrates the potential and need for further growth in 529 accounts. In 2010, approximately 11% or 1.1 million 529 accounts took a distribution; this represents 5% of the total number of U.S. college students, reported by the *Chronicle of Higher Education* to be 22 million as of 2007-2008.

The chart below shows the percent of 529 accounts with activity for 2002-2010.



% of accounts with	2002	2003	2004	2005	2006	2007	2008	2Q 2008	2009	2Q 2010	2010
Contributions	82%	69%	71%	68%	65%	62%	57%	45%	58%	47%	54%
Distributions	2%	10%	2%	3%	6%	7%	9%	5%	18%	9%	11%

## Conclusion

According to the U.S. Department of Labor, more than half of America's jobs currently require a college degree, and that number is expected to grow significantly by 2020. Further, the U.S. Department of Labor also reported that between 2010 and 2020, the United States will lack the qualified talent to fill anywhere from 12 to 24 million essential jobs.

The 2010 *529 Report* findings indicate that millions of American families continue to invest in higher education for their children, and see 529 plans as a good choice for their investment. With more than 10 million 529 plan accounts open nationally, we are starting to see a greater percentage of families using 529 plans to save for higher education, but we clearly have a long way to go. Our mission remains one of helping all American families who have college dreams for their children or grandchildren to save in advance for future college expenses to minimize or eliminate reliance on future student loan debt.

## 529 Q&A

### What is a 529 Plan?

A 529 plan is a tax-advantaged investment plan designed to encourage saving for the future higher education expenses of a designated beneficiary, which could be one's child or grandchild, but could also be any other individual (including oneself for adults investing for their own higher education). The plans are named after Section 529 of the Internal Revenue Code and are administered by state agencies and their private sector partners.

### What are the options for 529 Plans?

There are two types of 529 plans – savings and prepaid tuition plans. Savings plans (which are the most common) allow account holders to invest as little as \$15 to \$25 per month to build “cash” balances that can be used for any qualified higher education expenses, which can include tuition, fees, room and board, books, and certain supplies. Prepaid tuition plans typically provide for the pre-purchase of tuition based in part on today's prices and then “pay out” at the future cost when the beneficiary is in college.

### Where can 529 Plan funds be used?

Funds invested in 529 savings and/or prepaid tuition plans can typically be used at any college, in-state or out-of-state, as well as trade or technical schools that are accredited and are eligible to accept federal financial aid.

### Who offers 529 Plans?

Currently all 50 states and the District of Columbia offer 529 plans (some states offer a plan in partnership with another state). While most prepaid tuition plans have state residency requirements, saving plans are typically open to residents of any state.

### How are 529 Plans opened?

529 plans can be opened directly by investors in “Direct-sold” college savings plans. They can also be opened through a broker or financial advisor in “Advisor-sold” college savings plans. “Advisor-sold” plans typically include commissions, or “loads” to compensate financial advisors for services provided to their clients.

### Can I afford a 529 Plan?

For the majority of American families, the answer is “Yes.” Consider the facts:

- **Low Minimum Contributions** – Most 529 plans have minimum contributions as low as \$15 or \$25 per month to an account. In comparison, most traditional mutual fund products require a minimum initial investment of at least \$1,000 followed by subsequent minimum investments of \$1,000 or more.
- **Matching Grants** – Thirteen states currently offer matching grants or scholarship programs, typically matching up to \$500 of contributions for qualifying families.
- **Direct Sold** – All states offer a direct sold plan which allows residents to participate in a low cost plan that offers professionally managed investments without sales loads or commissions.
- **Low Fees** – Fees for 529 plans compare very favorably with 401(k) retirement plans.

### How secure is a 529 Plan?

529 plans are generally run by state treasurers, state officials and public sector governing boards. This provides a level of oversight not typically found in other private-sector investments.

Prepaid tuition plans (sometimes called guaranteed savings plans) are currently offered in 12 states and allow for the pre-purchase of tuition based in part on today's prices and then benefits are paid out at the future cost when the beneficiary is in college. As tuition increases from year-to-year, so does the benefit you receive from your prepaid tuition plan. Prepaid tuition plans are an attractive option for those who don't want to directly bear the risks of investment markets and desire a certain level of security, although they are typically designed to cover tuition and mandatory fees and not other college expenses (such as room and board). Some prepaid tuition plans are also backed by state legislation or even the full faith and credit of their state.

Most savings plans offer investment options that provide families with a guaranteed rate of return or guarantee of principal, along with various other investment options. Also, thirteen states currently offer FDIC or NCUA-insured investment options for those families who choose to minimize investment risk.

### What investment options do 529 Plans offer?

Just as no two families are alike, the funds that students need for college vary based on a number of factors, including the type of higher education desired, the time a family has to save for college, the number of children in the family, available resources, support available from extended family members such as grandparents, and other factors. As a result, 529 plans offer a wide range of options for investors of nearly every risk tolerance.

### Where can I find more information?

Several resources provide comprehensive information on 529 Plans:

- College Savings Plans Network (CSPN) – [www.CollegeSavings.org](http://www.CollegeSavings.org)
- National Association of State Treasurers – [www.NAST.org](http://www.NAST.org)
- U.S. Department of Education – [www.ED.gov](http://www.ED.gov)
- Internal Revenue Service – [www.irs.gov](http://www.irs.gov) (Search for Publication 970 – Tax Benefits for Education)
- U.S. Securities and Exchange Commission – [www.sec.gov](http://www.sec.gov) (Search for “An Introduction to 529 Plans”)
- Municipal Securities Rulemaking Board – [www.msrb.org](http://www.msrb.org)

## About College Savings Plans Network (CSPN)

College Savings Plans Network (CSPN) is a leading voice for Section 529 College Savings Plans, one of the most popular, convenient and tax-advantaged ways to save for college. CSPN is a not-for-profit association affiliated with the National Association of State Treasurers (NAST) that brings together state administrators of 529 savings and prepaid tuition plans as well as their private sector partners. Information that families of all income levels can use to make informed saving decisions is available on CSPN's Web site, [www.CollegeSavings.org](http://www.CollegeSavings.org).

The College Savings Plans Network is governed by an Executive Board of state Treasurers and state Program Directors. The 2011 Executive Board is as follows:

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