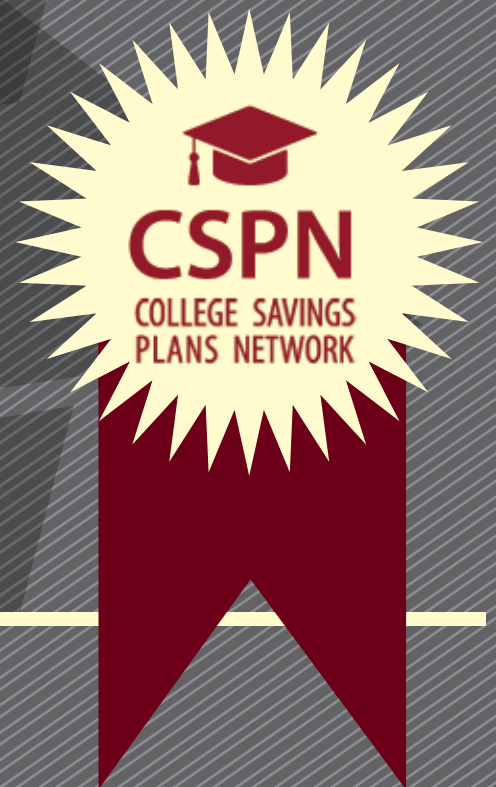


529
REPORT

**AN EXCLUSIVE
YEAR-END
REVIEW OF
529 PLAN ACTIVITY**



MARCH 2016

MARCH 2016

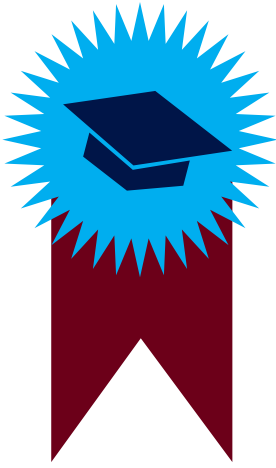
The College Savings Plans Network (CSPN), a leading objective, non-profit voice for Section 529 Plans, is pleased to present findings from its 2015 year-end 529 Report. The report provides the latest information about 529 plans to parents, financial advisors and other key stakeholders to make informed decisions on how best to save for college.

I believe that college is an investment in a child's future. 529 plans are a successful way for families to make that investment. These plans are manageable, affordable and tax-advantaged. Today's job market is more competitive than ever before, placing a premium on a college degree. Higher education opens up more career options and increasing earnings potential.

Findings from the 2015 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 them in making wise decisions about saving for college.

I encourage you to visit **www.CollegeSavings.org** to learn how 529 plans are helping millions of American families make higher education dreams a reality for their children, grandchildren or even themselves.

**HON. YOUNG BOOZER, STATE TREASURER OF ALABAMA
CHAIR, COLLEGE SAVINGS PLANS NETWORK**



EXECUTIVE SUMMARY

The College Savings Plans Network's (CSPN) **529 Report** is an independent source for complete and up-to-date information on Section 529 College Savings Plans. The 2015 **529 Report** includes data from 108 savings and prepaid tuition plans (Section 529 Plans). These Plans are offered by 49 states, the District of Columbia and a non-profit consortium of private colleges and universities.

CSPN, an affiliate of 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, 2015, through December 31, 2015. The following are the major findings from the 2015 data collection effort:

- *Total investment by U.S. families in 529 plans reached a record level of \$253.2 billion, representing a growth in assets of \$5.3 billion.*
- *The total number of 529 accounts increased 3.6% over the past 12 months, growing from 12.1 million in December 2014 to 12.5 million as of December 2015.*
- *The average 529 account size dropped slightly in 2015, finishing the year with an average account size of \$20,190 as of December 2015, a 1.4% decrease since the end of 2014, which reflects performance of the financial markets.*
- *Contributions grew by \$25 billion in 2015.*

The **529 Report** also demonstrates that saving for a college education is important for parents and grandparents as more than 55% of all 529 accounts received contributions in 2015.

529 PLANS

A 529 Plan is a tax-advantaged investment plan designed to encourage saving for the future qualified 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 of 1986, as amended, and are administered by state agencies and their private sector partners.



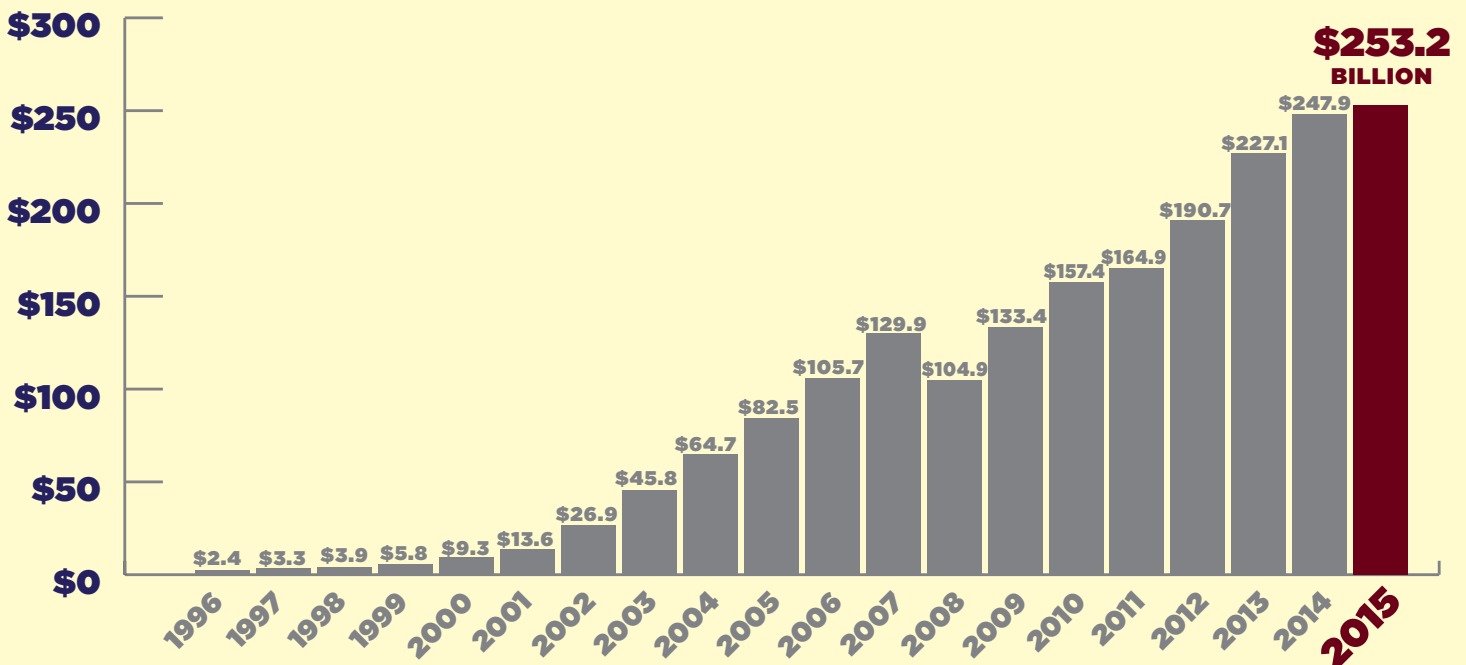
AMERICAN FAMILIES ARE INCREASING SAVINGS FOR HIGHER EDUCATION

ASSETS

The plan-level data collected shows that 529 plan assets reached record amounts in 2015 with \$253.2 billion in assets under management. This is a 2.1% increase for the time period of January 1, 2015 to December 31, 2015. Assets in 529 plans were \$247.7 billion at the end of 2014.

The chart below shows annual 529 plan assets based upon data collected from 1996 through 2015.

ASSETS IN 529 PLANS NATIONALLY (BILLIONS)



While total assets increased by 2.1%, assets net of contributions and distributions decreased 1.2% in 2015. For comparative purposes, the S&P500 decreased by 0.71% and the Barclays Capital Aggregate Bond Index increased by 0.55% during the same period. The returns of

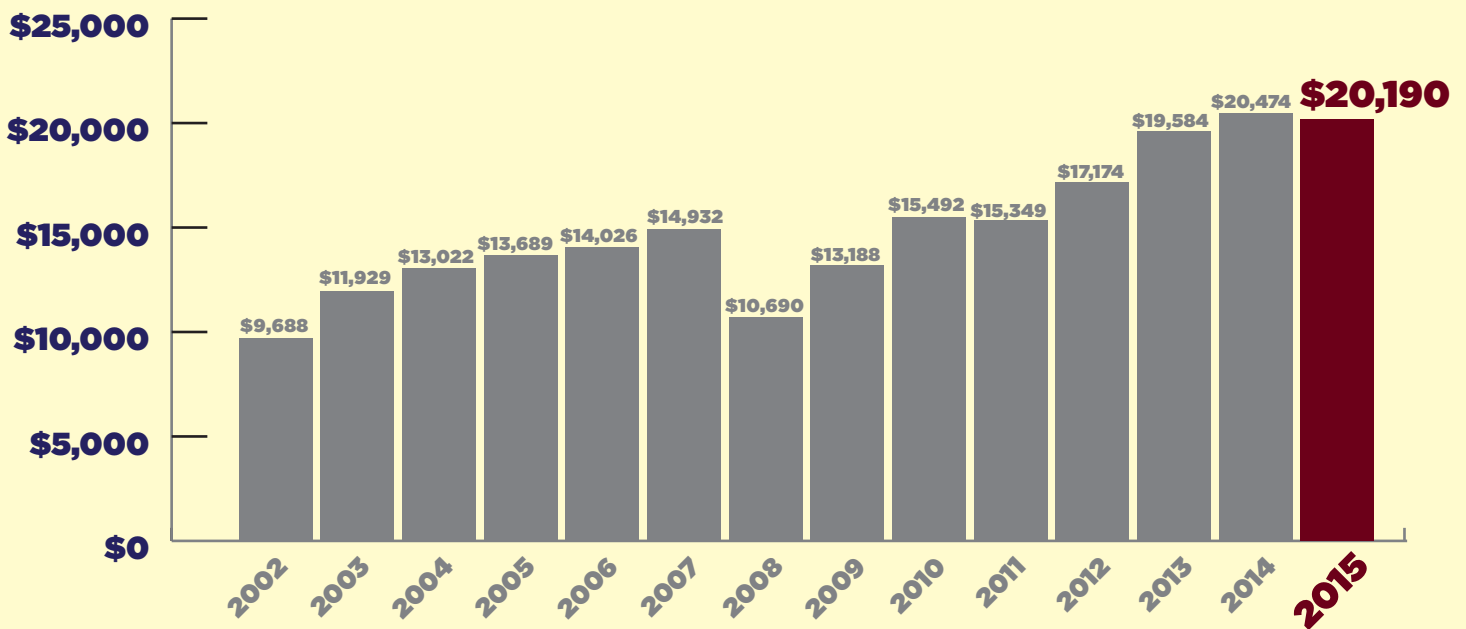
individual investment options in 529 plans vary due to each account owner's ability to invest in a variety of investment strategies including fixed income, equities, guaranteed return, or a blend of these strategies. Many individual options offered positive returns during the period.

While assets in 529 plans are 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. 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

As of December 31, 2015, the average balance in a 529 plan account was \$20,190 compared to \$20,474 at the end of 2014. This represents a 1.4% decrease from 2014 to 2015, which is attributable to performance of the financial markets during the second half of 2015. The chart below shows the difference in average account size for 2002-2015.

529 PLAN AVERAGE ACCOUNT SIZE



According to the College Board's *Trends in College Pricing 2015*, published in-state tuition and fees (including room and board) at public four-year institutions averaged \$19,548 in 2015-2016. Comparatively, the average investor in a 529 plan has saved a little more than one year of education at a public college or university. Although this is only a quarter (or less) of

the cost of public higher education, it's important to remember that any money saved for college is money that a family will not have to take out as loans and repay with interest.

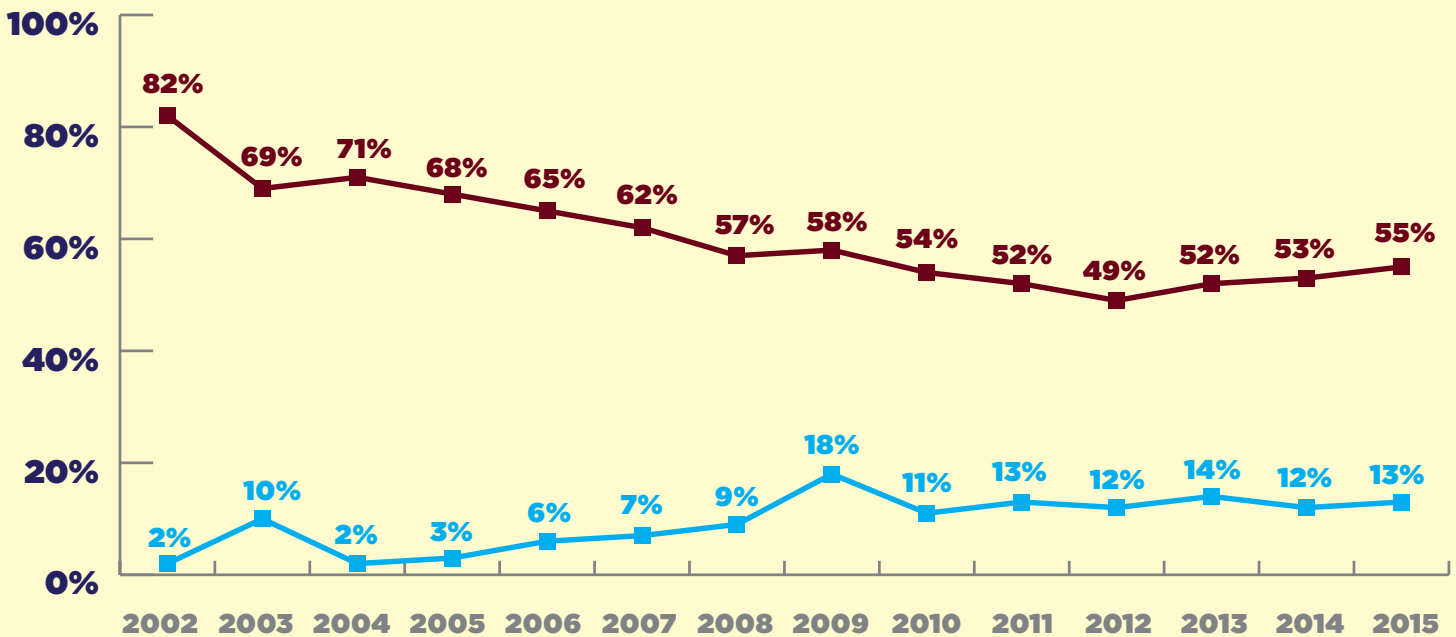
ACCOUNT ACTIVITY

Contributions to new and existing 529 accounts nationwide exceeded \$25.5 billion in 2015. More than 55% of all 529 accounts received contributions in 2015, up from 53% from 2014.

529 account activity demonstrates the potential for further growth in 529 accounts. In 2015, approximately 13% or 1.63 million 529 accounts took a distribution, representing approximately 8.1% of the total number of U.S. college students, estimated by the National Center for Education Statistics to be 20.2 million as of fall 2015.

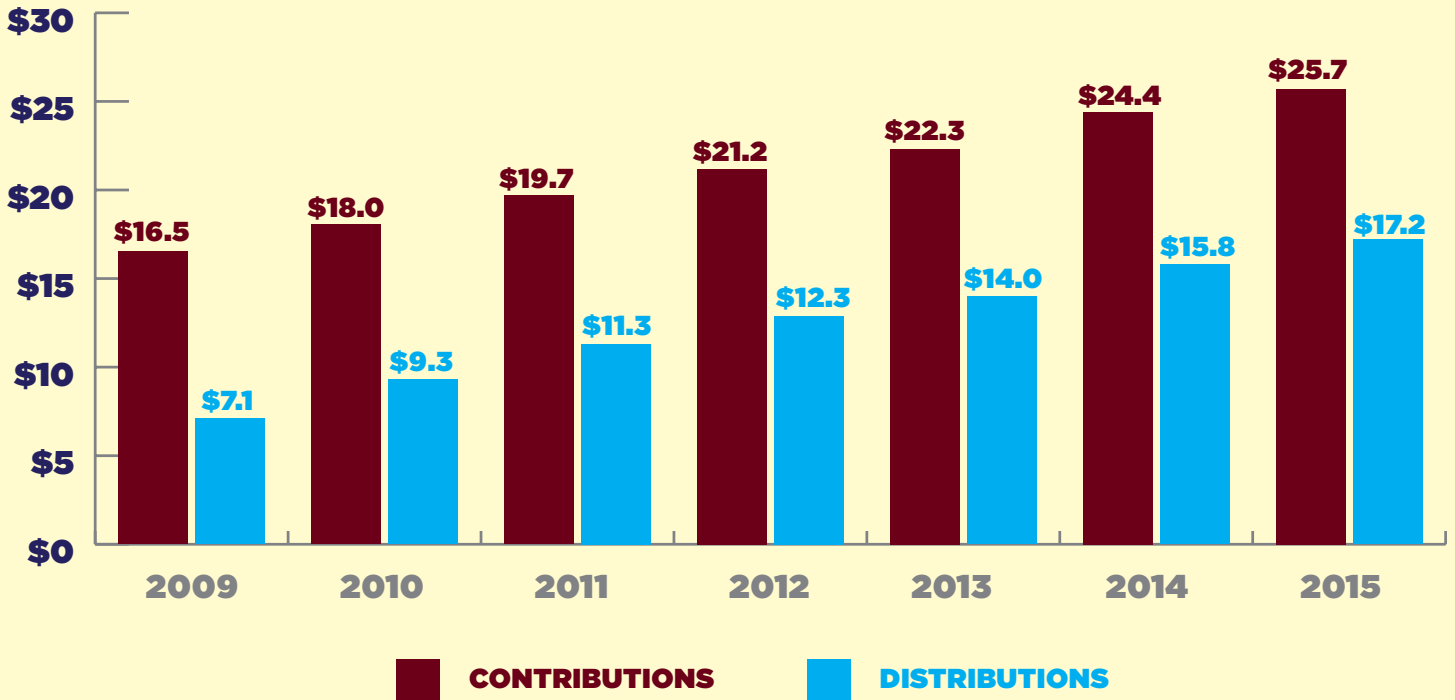
The chart below shows the percent of 529 accounts with activity for 2002-2015.

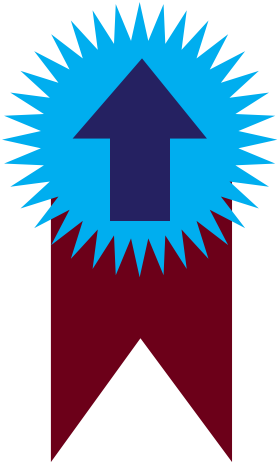
PERCENT OF ACCOUNTS WITH ACTIVITY (YEAR END)



Total contributions and distributions into 529 plans continue to increase as shown below.

CONTRIBUTION AND DISTRIBUTION AMOUNTS INTO 529 PLANS NATIONALLY (YEAR END - IN BILLIONS)





CONCLUSION

The need for higher education has never been more important. In 2007, 59% of America's jobs required at least some college education, according to the Georgetown University Center on Education and The Workforce. By 2018, it is anticipated that more than 63% of American jobs will require some higher education. Additionally, the Center reports that by 2018, the postsecondary education system will have produced 3 million fewer college graduates than demanded by the labor market.

Unemployment is another critical issue. The Bureau of Labor Statistics currently reports a 5.9% unemployment rate for high school graduates in the United States, however, that number is significantly lower (2.6%) for those with a bachelor's degree or higher. Higher education is clearly important to not only the future of our children, but to our economy as well.

The 2015 **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 12.5 million 529 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 qualified 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 of 1986, as amended 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 per month to build balances that can be used for any qualified higher education expenses, which can include tuition, fees, certain room and board, books, computers, and certain supplies. Prepaid tuition plans typically provide for the purchase of future tuition based largely on today's tuition rates prices. Some prepaid plans offer credit units and others offer semesters for purchase.

WHERE CAN 529 PLAN FUNDS BE USED?

Funds invested in 529 plans can typically be used at any public or private 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. Funds in 529 plans can even be used at some schools abroad.

WHO OFFERS 529 PLANS?

Currently 49 states, the District of Columbia and a non-profit consortium of private colleges and universities offer 529 Plans. 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 financial professional in “advisor-sold” college savings plans. Advisor-sold plans typically include annual sales charges and, in some cases 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 low initial minimum and subsequent contributions 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/SCHOLARSHIPS** – Some states offer matching grants or scholarship programs, typically matching up to \$500 of contributions for qualifying families.
- **DIRECT SOLD** – Forty-eight States plus the District of Columbia offer a direct sold plan, which allows account owners to invest without a financial professional, thereby offering professionally managed investments without sales loads or commissions.
- **LOW FEES** – Fees for 529 plans have decreased over time, with the average direct-sold fee approximately 60 basis points (0.60%) for popular investment options.

HOW SECURE IS A 529 PLAN?

529 plans are generally governed by state treasurers, state officials and public sector governing boards which may provide a level of oversight not typically found in other private-sector investments. All investments involve risks that are properly described in the plans program disclosure statement.

Prepaid tuition plans are currently offered by 11 states and 1 not-for-profit organization and allow for the pre-purchase of tuition based in part on today's prices. Benefits are paid out at the future cost when the beneficiary is in college. Some prepaid tuition plans are also backed by state legislation or even the full faith and credit of their state.

WHAT INVESTMENT OPTIONS DO 529 PLANS OFFER?

529 plans offer a wide range of flexible and diverse investment options for families, including options based on the age of the beneficiary, options based on certain levels of risk and options based on certain asset classes.

WHERE CAN I FIND MORE INFORMATION?

Several resources provide comprehensive information on 529 Plans:

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



ABOUT COLLEGE SAVINGS PLANS NETWORK (CSPN)

The College Savings Plans Network (CSPN) is a national non-profit association and the leading objective source of information about Section 529 College Savings Plans and Prepaid Tuition Plans—popular, convenient and tax-advantaged ways to save for college. An affiliate of the National Association of State Treasurers (NAST), CSPN brings together administrators of 529 savings and prepaid plans from across the country, as well as their private sector partners, to offer convenient tools and objective, unbiased information to help families make informed decisions about saving for college. For more information, visit the CSPN website at CollegeSavings.org; and follow CSPN on Twitter and Facebook.

The College Savings Plans Network is governed by an Executive Board of state Treasurers and state Program Directors. The 2016 Executive Board is:

OFFICERS

Hon. Young Boozer, Chair

Alabama State Treasurer

Kathleen McGrath, Treasurer

Director, PA 529 College Savings Program

James DiUlio, Vice Chair

Director, Wisconsin 529 College Savings Program

Betty Lochner, Past Chair

Director, Washington Guaranteed Education Tuition

BOARD MEMBERS

Rachel Biar

Assistant State Treasurer, Nebraska

Hon. John Perdue

West Virginia State Treasurer

Linda English

Deputy Treasurer, Nevada State Treasury

Patricia Roberts

Corporate Affiliate Chair & Managing Director, AllianceBernstein Investments

Hon. Ron Estes

Kansas State Treasurer

Kevin Thompson

Executive Director, Florida Prepaid College Board

Hon. Lynn Fitch

Mississippi State Treasurer

Hon. Kelly Mitchell

Indiana State Treasurer

Lynne Ward

Executive Director, Utah Educational Savings Plan



LEARN MORE AT
COLLEGESAVINGS.ORG