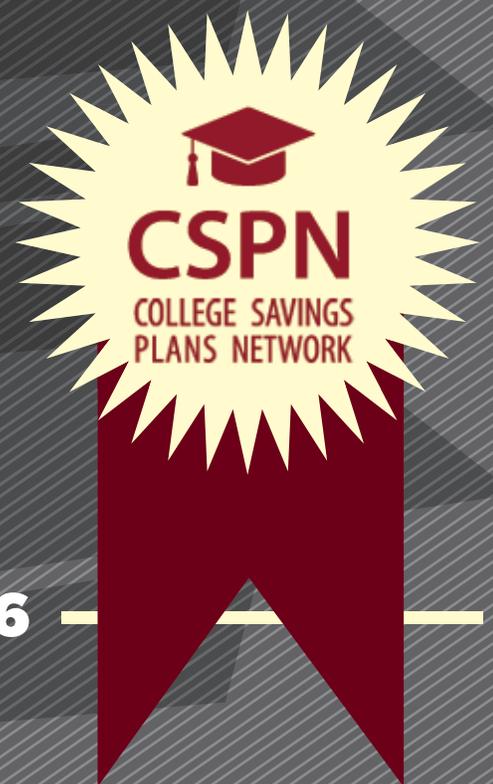




529
REPORT

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



SEPTEMBER 2016

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Education is the key to unlocking the door to opportunity. Throughout the past several years, new research continues to provide evidence that a college degree not only increases the economic earning power of both individuals and our national economy, but it is also proven to contribute to improved health, homeownership, voting rates, community volunteerism and other social benefits. While there is no doubt the cost of a college education has increased dramatically in the past two decades, Americans continue to display their growing value they place in earning a college degree by saving more of their hard-earned dollars for the future higher education expenses of their children.

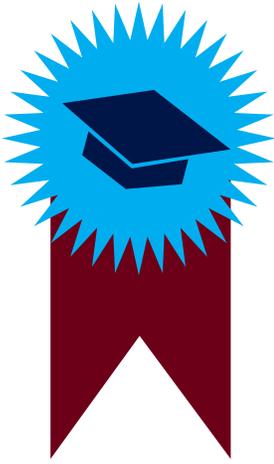
A recent study by Georgetown University's Center on Education and the Workforce reported that by 2020, more than 65% of new jobs in our country will require a college education. This focus on a more skilled workforce is creating a competitive job market today; while providing parents of young children a view into the future. This upsurge in the level of importance of a college degree will play a critical role in their kids' abilities to find meaningful, fulfilling and financially supportive careers.

In this 2016 mid-year 529 report, you'll find aggregated data collected from every 529 plan in the nation. Forty-nine states, the District of Columbia and a non-profit consortium of private colleges and universities offer 529 college savings plans. Findings from the report demonstrate that total assets and the total number of open accounts have reached new record levels of more than \$266 billion and 12.7 million, respectively. We believe this is convincing evidence that 529 plans continue to be one of the most compelling ways for families of all income levels to plan ahead, save for college, and reduce their reliance on student loans, which reached an all-time high of \$1.3 trillion this past year.

Since the beginning of the great recession in 2008, national assets under management in 529 plans have more than doubled and the average account size has grown from \$10,690 in 2008 to \$20,975 at the end of June 2016. As the economy has faced incredible challenges, Americans have shown their resolve and commitment to education so that college is not just a dream, but a reality for their children.

Ultimately, our goal as a national organization is to switch the personal finance of higher education from a debt-driven model to a savings-driven model. We offer Americans the incentives, tools and resources to help them save and make wise investment decisions and easily make regular contributions to their accounts in order for their children to continue to grow and prosper.

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



EXECUTIVE SUMMARY

The College Savings Plans Network's **529 Report** is an objective source for complete and up-to-date information on Section 529 College Savings Plans. The mid-year 2016 **529 Report** includes data from 107 savings and prepaid tuition plans. Forty-nine states, the District of Columbia and a non-profit consortium of private colleges and universities currently offer 529 college savings plans.

CSPN, which is affiliated with the National Association of State Treasurers, aggregated data from every 529 plan in the nation. This data includes assets held in 529 accounts, the number of accounts open nationwide, the average size of 529 accounts, and the percent of contributions and distributions in 529 accounts for the period ending June 30, 2016. The following are the major findings from this mid-year 2016 data collection effort.

- *Total investment by American families in 529 plans has reached a record level of \$266.2 billion. In the first six months of 2016, total assets in 529 plans grew by \$13 billion dollars.*
- *The total number of 529 accounts continued to increase during the first half of 2016, going from 12.45 to 12.7 million during that time period.*
- *The average 529 account size continues to grow, reaching an all-time high of \$20,975 as of June 30, 2016, a 3.1% increase over the past six months. This indicates a continued commitment by American families to save for the cost of a college education.*
- *Including growth from contributions and investment returns, total assets in 529 plans grew by 5.1% since December 31, 2015.*
- *This report also demonstrates that saving for a college education continues to be a priority for parents and grandparents as 47% of all 529 accounts received contributions in the first half of 2016.*

529 PLANS

A 529 Plan is a tax-advantaged investment plan designed to encourage saving for a beneficiary's future higher education expenses. Beneficiaries can be a 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 established and maintained by state agencies, and in many cases, administered by the states with private sector partners.



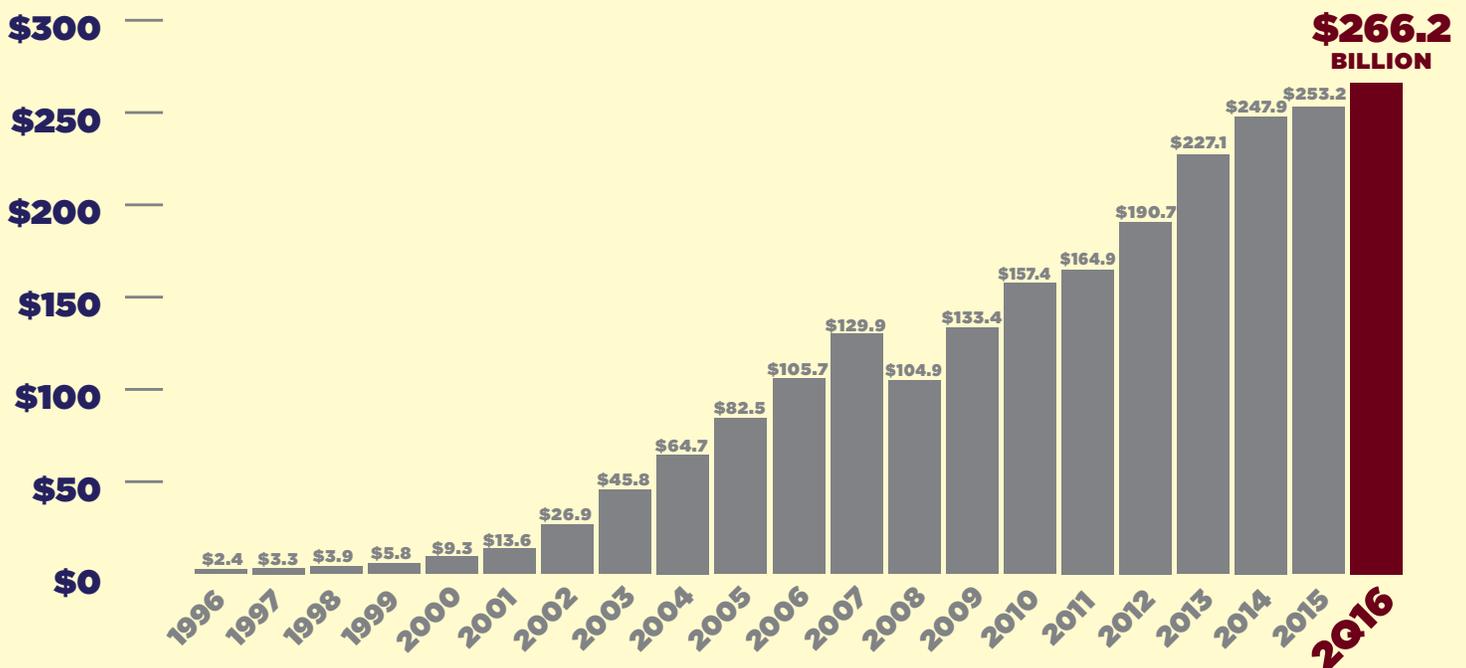
AMERICAN FAMILIES ARE INCREASING SAVINGS FOR HIGHER EDUCATION

ASSETS

The plan-level data collected shows that 529 plan assets reached record amounts as of June 30, 2016, with \$266.2 billion invested nationally. This is a 5.1% increase during the past six months.

The chart below shows annual 529 plan assets based upon data collected from 1996 through June 30, 2016.

ASSETS UNDER MANAGEMENT IN 529 PLANS NATIONALLY (IN BILLIONS)



While total assets increased by 5.1%, assets in the plans increased 2.5% net of contributions and distributions to the plans for the six-month period ending June 30, 2016. For comparative purposes, the S&P500 realized a 0.28% increase, and the Barclays Capital Aggregate Bond Index increased 5.3% during the same period. The returns of individual investment op-

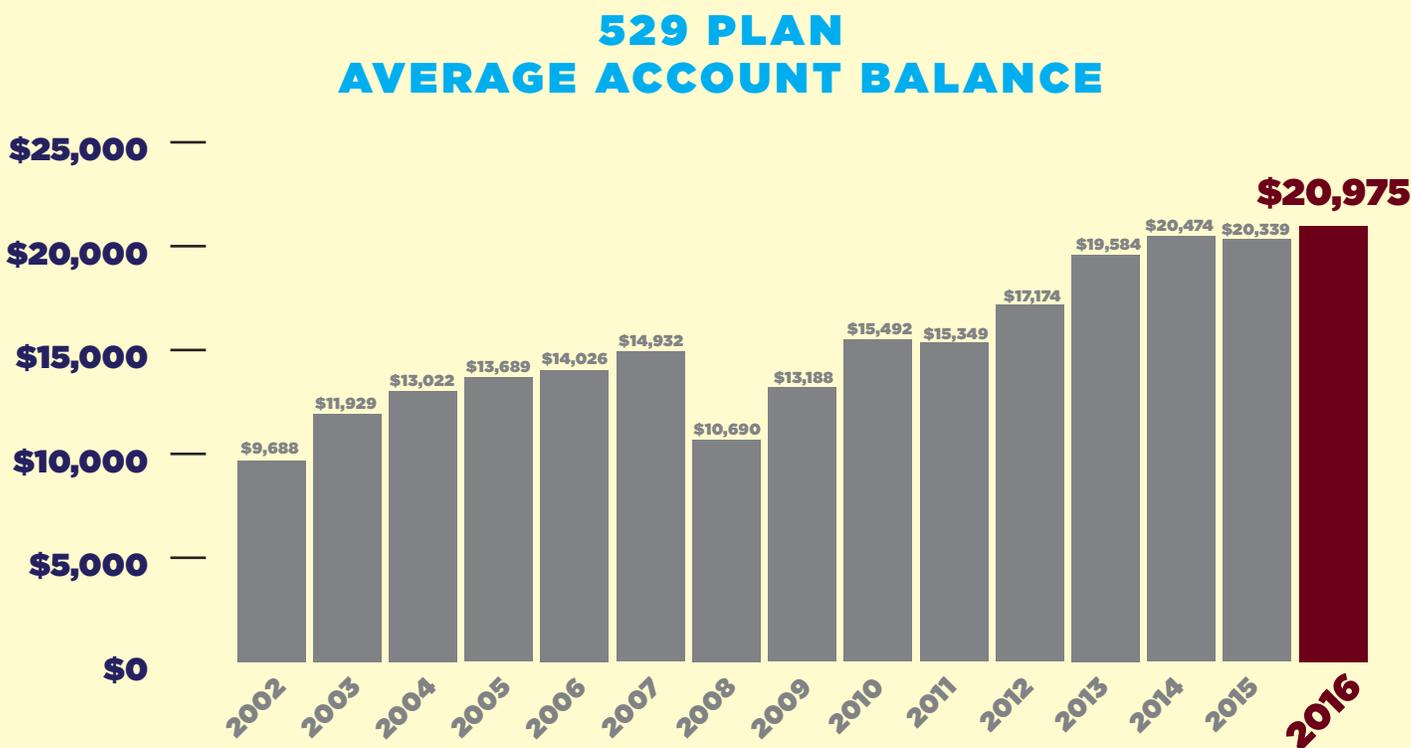
tions in 529 plans vary due to the account holder's ability to invest in a variety of investment strategies including fixed income, equities, guaranteed return, or a blend of these strategies. Many individual options provided positive returns during the period.

Assets in 529 plan accounts are steadily increasing, but so is the cost of higher education. According to the U.S. Department of Education's National Center for Education Statistics, annual prices for undergraduate tuition (including room and board) rose 58% at public institutions and 495% at private institutions between academic years 2004-05 and 2013-14.

AVERAGE ACCOUNT BALANCE

As of June 30, 2016, 529 plan accounts reached an average account balance of \$20,975, compared to \$20,339 as of the end of 2015, and representing a six-month increase of 3.1%. 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.

The chart below shows the difference in average 529 plan account size from 2002 - June 30, 2016.



According to the College Board's *Trends in College Pricing*, published in-state tuition and fees (including room and board) at public four-year institutions averaged \$19,548 in 2015-16; meaning the average investor in a 529 plan has saved enough for one year of education at a public college or university. Although this is only a quarter (or less) of the cost of current 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.

Even though student loans are typically offered at relatively low interest rates, paying even a small amount of interest can add up significantly over time. Any savings that a student can use to pay for college is helpful because it can reduce the individual's reliance on debt.

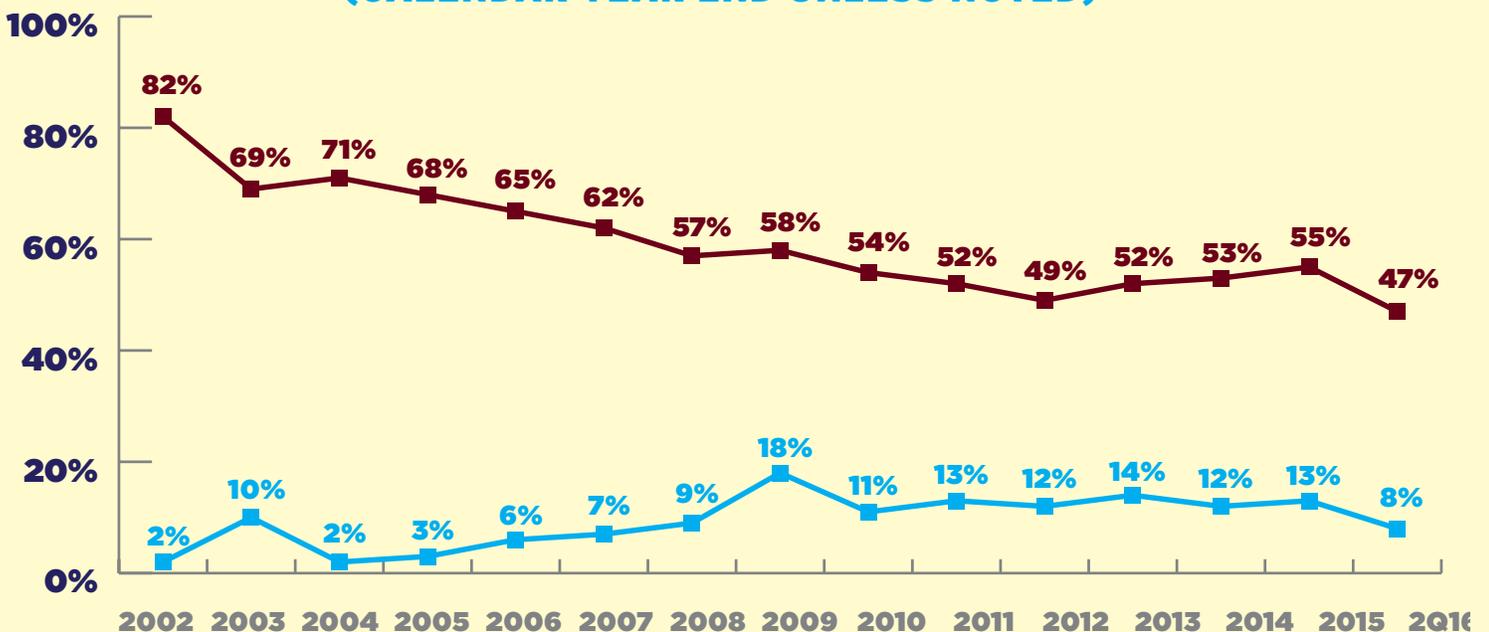
ACCOUNT ACTIVITY

Contributions to new and existing 529 accounts nationwide exceeded \$12.9 billion. Nearly half (47%) of all 529 accounts received contributions in the first half of 2016. This data is on pace with mid-year data from 2015 (45%), and is expected to increase by year-end due to various tax incentives offered by states that usually require contributions to be made by the end of a calendar year.

Recent activity shows continued use by account owners of their 529 plan savings. As of June 30, 2016, 8% or more than 990,000 accounts took a distribution.

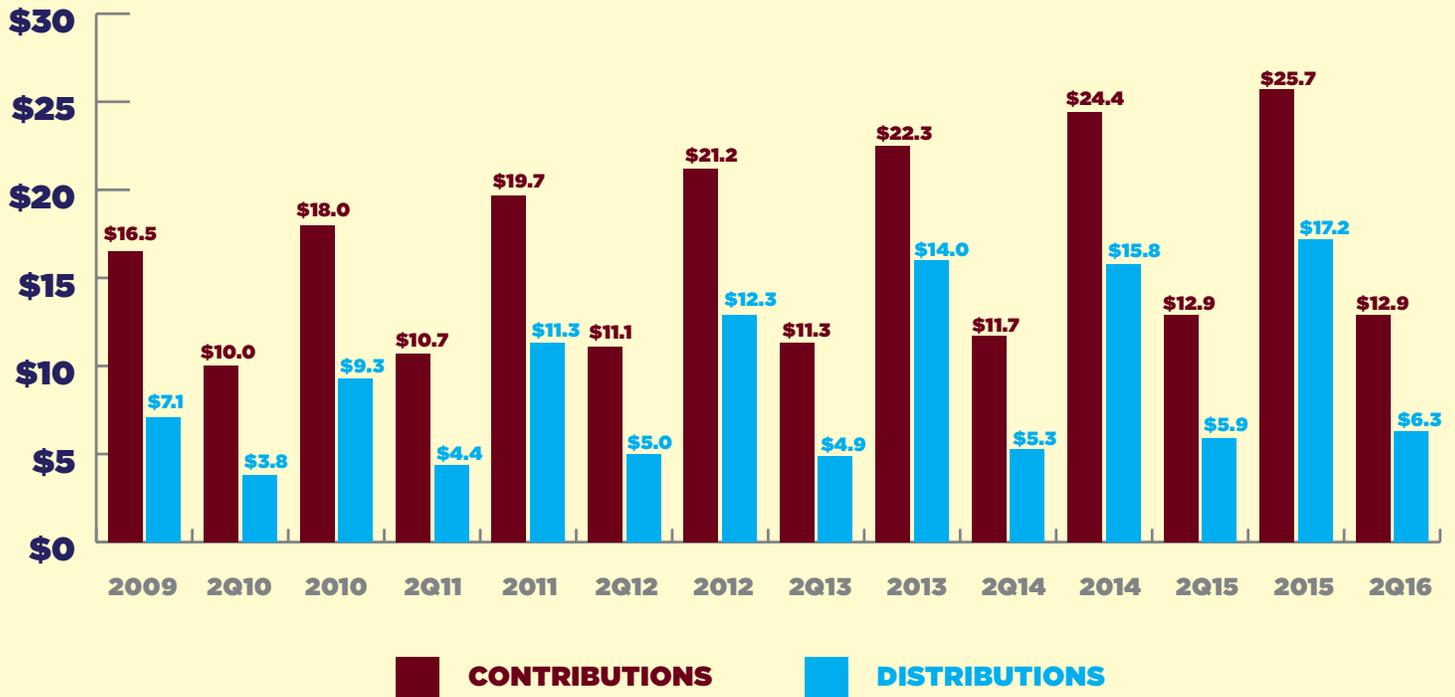
The chart below shows the percentage of 529 accounts with activity for 2002 through June 30, 2016.

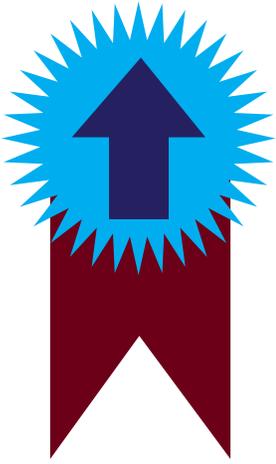
PERCENT OF ACCOUNTS WITH ACTIVITY (CALENDAR YEAR END UNLESS NOTED)



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

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





CONCLUSION

The 2016 mid-year 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 12.7 million 529 plan accounts open nationally, we are seeing greater numbers 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 save in advance for future college expenses so that they can minimize or eliminate their 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 beneficiary. The beneficiary of a 529 account could be a 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 established and maintained by state agencies and, in many cases, administered by the states with 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 funds that can be used for any qualified higher education expenses, which can include tuition, required fees, certain room and board, books, and even some supplies at eligible institutions. Participants can select from a variety of investment options, which include varying levels of risk. 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 tuition cost when the beneficiary is in college. In most cases, the sponsoring state bears at least some level of risk that the plan will pay promised future tuition.

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 where federal financial aid can be used.

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 broker or financial advisor in “advisor-sold” college savings plans. Direct-sold plans are typically offered directly to the public by the 529 plan. Advisor-sold plans typically include on-going payments, commissions, or “loads” to compensate financial advisors for services provided to their clients.

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. These options often include age-based investments, where the mix of investments becomes increasingly liquid as your beneficiary gets closer to college.

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 to open 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** – Some states offer matching grants or scholarship programs, typically matching up to \$500 of contributions for qualifying families.
- **DIRECT-SOLD** – All states that offer a plan have 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 administered 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 by 12 states and 1 not-for-profit organization and allow for the pre-purchase of tuition based in

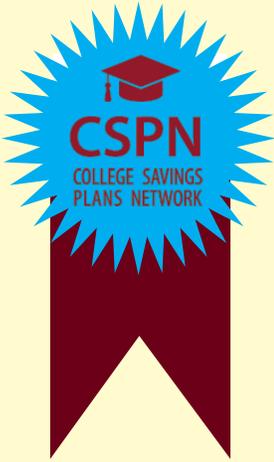
part on today's prices and then benefits are paid out at the future cost when the beneficiary is in college. As tuition increases from year-to-year, so does the benefit you receive from your prepaid tuition plan. Prepaid tuition plans are an attractive option for those who don't want to directly bear 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, many states currently offer FDIC or NCUA-insured investment options for those families who choose to minimize investment risk.

WHERE CAN I FIND MORE INFORMATION?

Several resources provide comprehensive information on 529 Plans:

- College Savings Plans Network (CSPN) — www.CollegeSavings.org
- National Association of State Treasurers - www.NAST.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:

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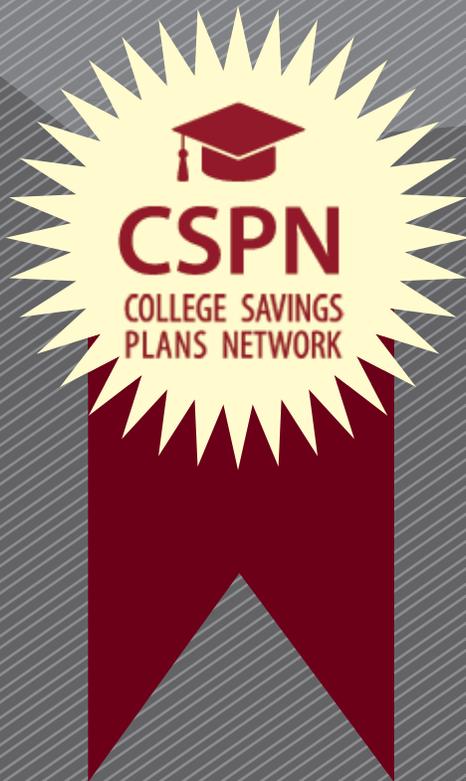
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