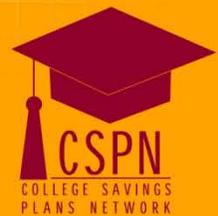


SEPTEMBER 2010

COLLEGE SAVINGS PLANS NETWORK
529 REPORT

A MID-YEAR REVIEW OF 529
PLAN ACTIVITY



September 2010

The **College Savings Plans Network** (CSPN) is pleased to present the findings of its **529 Report** for mid-year 2010, 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.

The findings demonstrate that as the national economy recovers, the 529 college savings market is stable and continues to grow. Even amidst uncertain market conditions, families have remained dedicated to planning for higher education expenses by investing in 529 plans, one of the most compelling ways for families of all income levels to plan ahead and save for college.

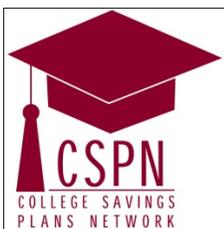
Parents, grandparents and friends who have committed to saving for college by opening a 529 plan can take pride in their decision to be proactive about saving for higher education and reducing their family's reliance on student loans.

However, many families may still be plagued by uncertainty or fear brought on by the economic downturn, or just overwhelmed at the prospect of paying for the escalating costs of college. I encourage families to combat their fears and develop a plan to save today. Investments of as little as \$25 a month in a 529 plan can make a big difference over time in helping to defray the cost of 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 to learn how you can start now to make your higher education dreams for your family a reality.



Joan Marshall
Chair
College Savings Plans Network



Introduction

The College Savings Plans Network (CSPN) *529 Report* includes data from 105 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, including assets held in 529 accounts, contributions and distributions for the time period of January 1, 2010 through June 30, 2010.

Data from this report demonstrates that saving for a college education continues to be a priority for parents and grandparents, even in uncertain market conditions. Data from the first half of 2010 shows that American families are saving more for their children's future education and that 529 plan accounts have largely recovered from the market downturn that began in 2008.

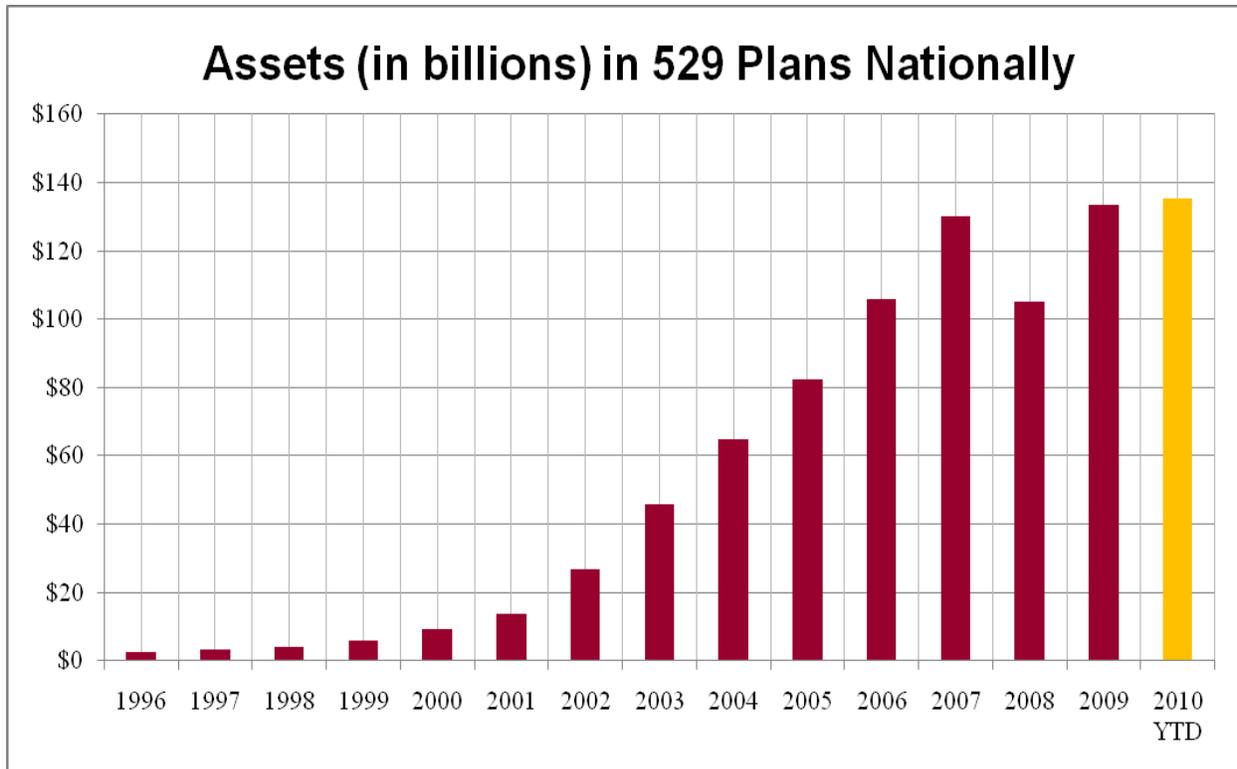
529 Plans

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

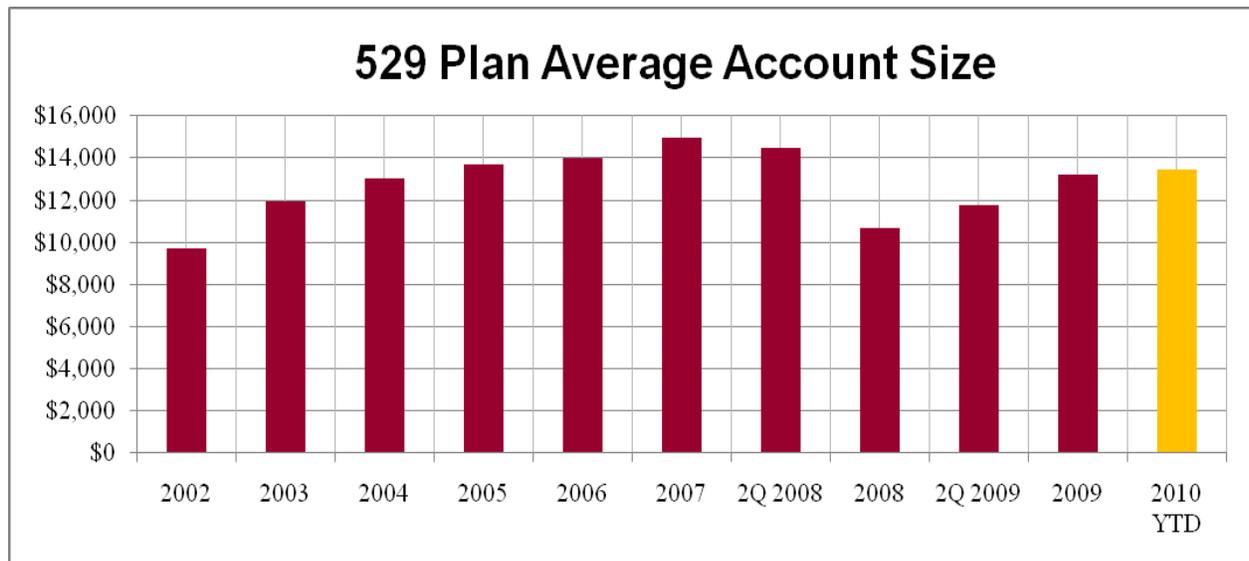
The plan-level data collected shows that 529 plan assets grew 1.3% for the time period of January 1, 2010 to June 30, 2010. The chart below shows annual 529 plan assets based upon data collected from 1996 through 2010.



Average Account Size

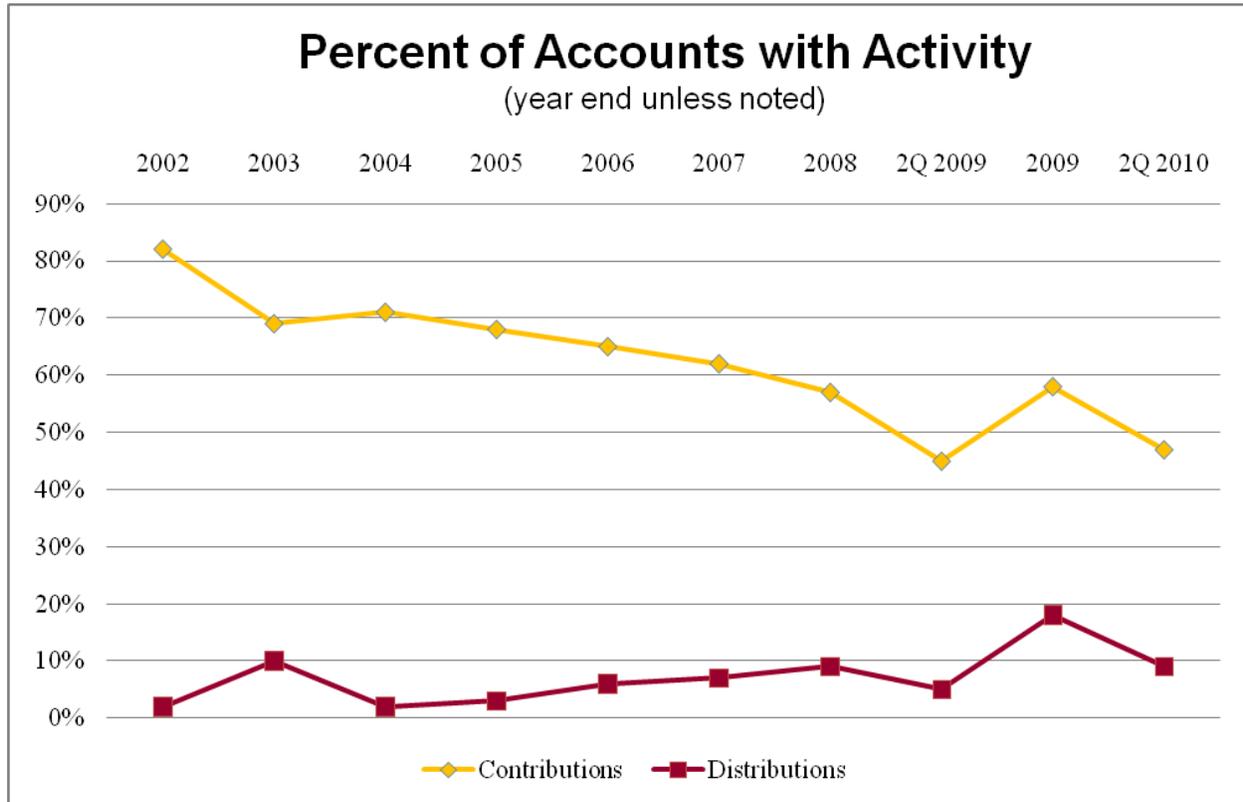
The average value of a 529 account has returned to nearly 90% of what it was before the market downturn in 2008. As of June 30, 2010, the average balance in a 529 plan account was \$13,425, compared to \$14,932 at the end of 2007. This is a positive sign for those who agree that college saving is a long-term investment and the United States can be more prosperous when our children have more education.

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



Account Activity

Contributions to new and existing 529 accounts nationwide exceeded \$9 billion during the first half of 2010. Nearly half (47%) of all 529 accounts received contributions for the six month period ending June 30, 2010 – this is down from 58% as reported December 31, 2009, but consistent with mid-year data from 2009.



Overall investment returns across all 529 plans were down an average of 2.8 percent for the first six months of 2010, as compared with a negative 6.7 percent return for the S&P500 and a 5.3 percent return for Barclays Capital Aggregate Bond Index during the same period. However, the returns of individual investment options in 529 plans varied 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.

Conclusion

According to 2010 Census data, there are 76 million children under the age of 18 in America. With more than ten 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 there's a long way to go. 529 plans offer an attractive opportunity for many more American children to benefit from resources being dedicated to higher education savings early in life.

529 Report findings for the first half of 2010 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. Overall, these are good indications for the future ability of families to afford college.

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 contribution 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 13 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, nine 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
- 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)

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.

The College Savings Plans Network is governed by an Executive Board of state Treasurers and state Program Directors. The 2010 Executive Board is as follows:

Joan Marshall, Chair
Executive Director,
College Savings Plans of Maryland

Hon. Richard Mourdock, Vice Chair
Indiana State Treasurer

Hon. Catherine Provencher, Treasurer
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