

MARCH 2015

COLLEGE SAVINGS PLANS NETWORK  
**529 REPORT**

AN EXCLUSIVE YEAR-END  
REVIEW OF 529 PLAN  
ACTIVITY



March 2015

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 2014 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 107 savings and prepaid tuition plans. These college savings plans are offered by 49 states and the District of Columbia.

529 plans were designed as a way to encourage people to save for college for their children or grandchildren (or any other beneficiary), and statistics show that students with any amount saved for higher education are six to seven times more likely to attend a four-year institution than those without any savings.

Despite the increasing costs of higher education, there are compelling reasons for children to attend college. According to a report by the College Board entitled "Education Pays 2013":

- On average, college graduates can expect to earn 65 percent more over 40 years than those with only a high school diploma;
- In 2012, among employed adults between the ages of 25 and 64, 67% held high school diplomas, 71% had some college but no degree, 77% of those had associate degrees, and 82% had four-year college degrees.

Beyond the economic benefits of a college degree, recent research indicates that those with more education are also likely to live longer, experience better health outcomes and have greater civic engagement; further proving the importance of investing in higher education.

Findings from the 2014 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](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.

*Betty Lochner*

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 2014 **529 Report** includes data from 107 savings and prepaid tuition plans. These college savings plans are offered by 49 states and the District of Columbia.

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, 2014, through December 31, 2014. The following are the major findings from the 2014 data collection effort.

- Total investment by American families in 529 plans has reached a record level of \$247.9 billion. In 2014, total assets in 529 plans grew by \$20.8 billion dollars.
- The total number of 529 accounts increased 4.1% over the past 12 months, going from 11.6 million in December 2013 to 12.1 million as of December 2014.
- The average 529 account size continues to grow, reaching an average account size of \$20,474 as of December 31, 2014, a 4.5% increase over the past twelve 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 9.1% in 2014.
- The report also demonstrates that saving for a college education continues to be a priority for parents and grandparents as more than 53% of all 529 accounts received contributions in 2014.

## 529 Plans

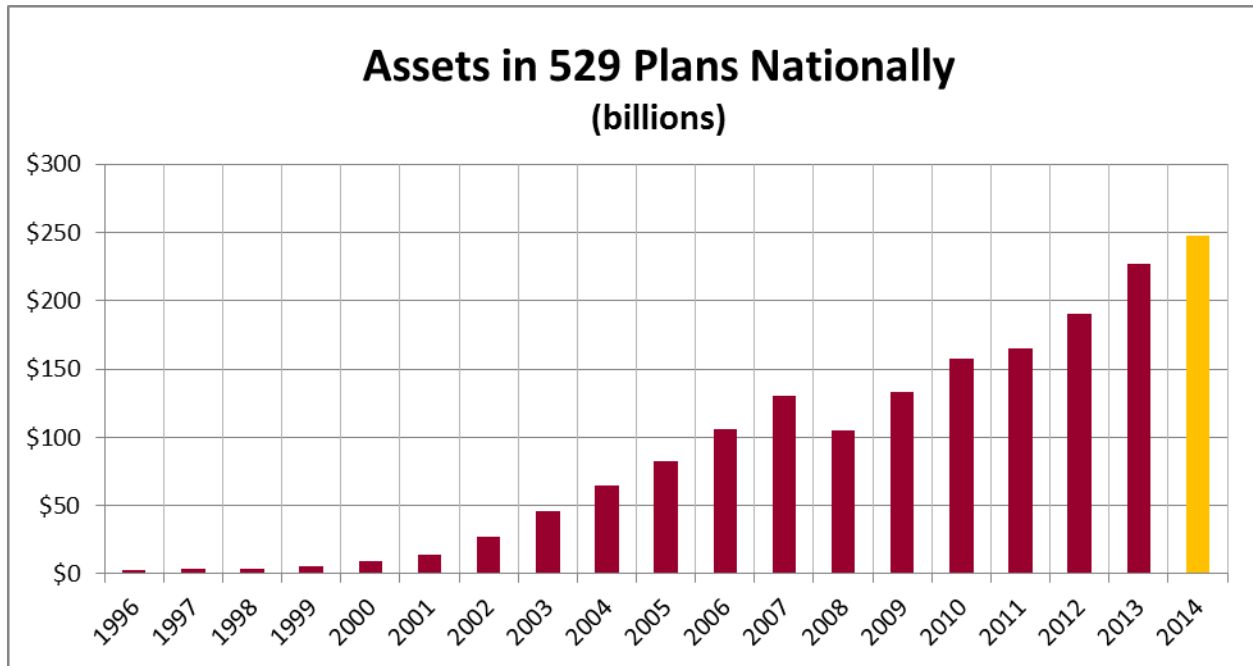
A 529 Plan is a tax-advantaged investment plan designed to encourage saving for the future higher education expenses of a designated beneficiary, which could be one's child or grandchild, but could also be any other individual (including oneself for adults investing for their own higher education). The 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 2013 with \$247.9 billion. This is a 9.1% increase for the time period of January 1, 2014 to December 31, 2014. Assets in 529 plans were \$227.1 billion at the end of 2013.

The chart below shows annual 529 plan assets based upon data collected from 1996 through 2014.



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Assets	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	164.86	190.72	227.1	247.9

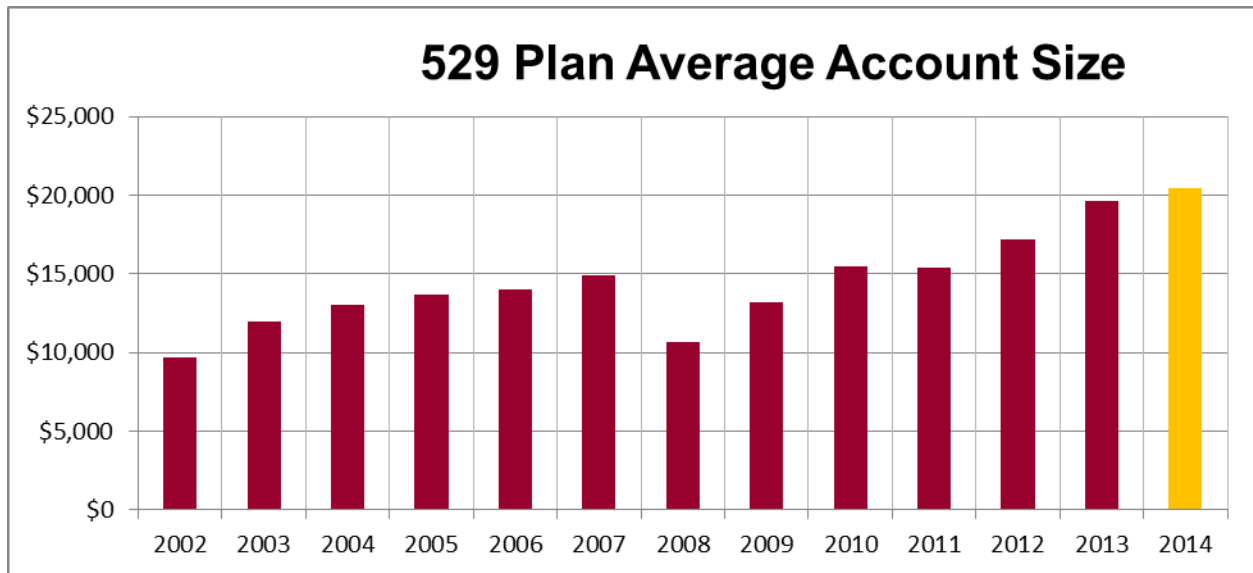
While total assets increased by 9.1%, assets in 529 plans increased 5.3% in 2014 net of contributions and distributions from the plans in 2013. For comparative purposes, the S&P500 realized a 13.69% increase, and the Barclays Capital Aggregate Bond Index increased by 5.97% during the same period. The 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.

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, 2014, the average balance in a 529 plan account was \$20,474 compared to \$10,690 at the end of 2008. The average balance increased 4.5% from 2013 to 2014. 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 for 2002-2014.



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Assets	\$9,688	\$11,929	\$13,022	\$13,689	\$14,026	\$14,932	\$10,690	\$13,188	\$15,492	\$15,349	\$17,174	\$19,584	\$20,474

According to the College Board’s Trends in College Pricing 2014, published in-state tuition and fees (including room and board) at public four-year institutions averaged \$18,943 in 2014-2015; meaning 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.

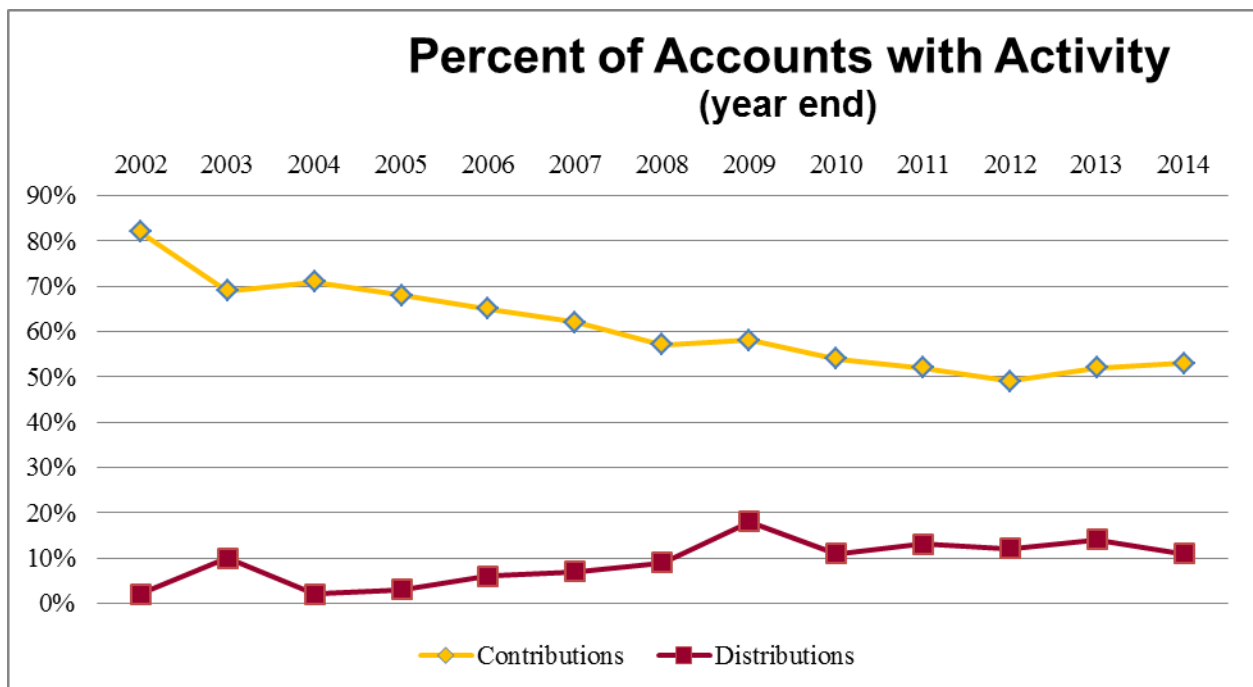
Even though student loans are typically offered at relatively low interest rates, paying even a small amount of interest can add up significantly over time. Any savings that a student can use to pay for college is helpful because it can reduce the individual’s reliance on debt.

## Account Activity

Contributions to new and existing 529 accounts nationwide exceeded \$24 billion in 2014. More than 53% of all 529 accounts received contributions in 2013, up from 52% as reported December 31, 2013.

529 account activity demonstrates the potential and need for further growth in 529 accounts. In 2014, approximately 12% or 1.45 million 529 accounts took a distribution; this represents approximately 7.5% of the total number of U.S. college students, reported by the *U.S. Census Bureau* to be 19.47 million as of October 2012.

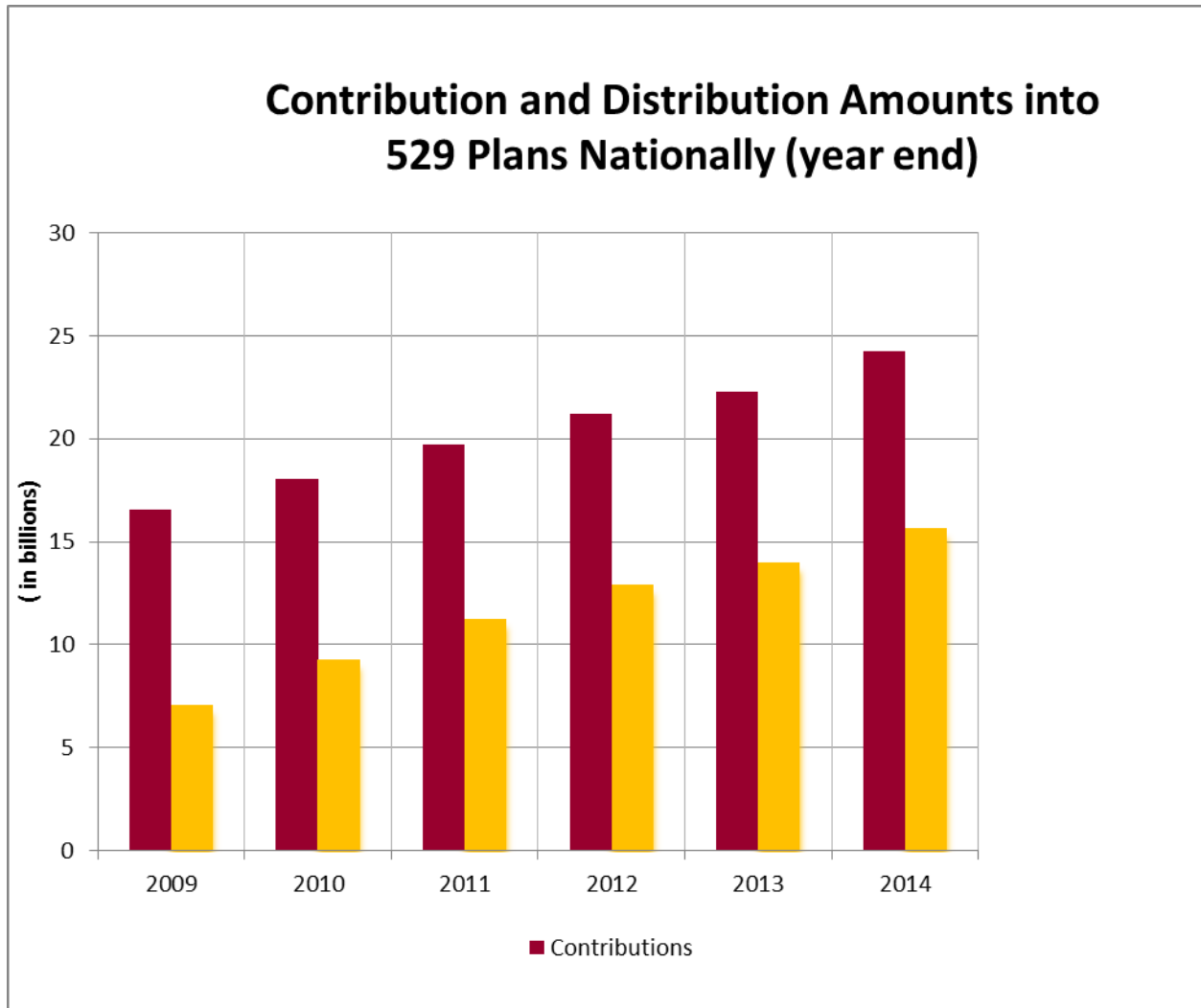
The chart below shows the percent of 529 accounts with activity for 2002-2014.



% of accounts with	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Contributions	82%	69%	71%	68%	65%	62%	57%	58%	54%	52%	49%	52%	53%
Distributions	2%	10%	2%	3%	6%	7%	9%	18%	11%	13%	12%	14%	12%

## Account Activity continued

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



	2009	2010	2011	2012	2013	2014
Contributions	16.54	18.04	19.71	21.22	22.29	24.4
Distributions	7.1	9.3	11.29	12.94	14.03	15.8

## 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's Center on Education & 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 5.7% unemployment rate in the United States, however, that number is significantly lower (2.9%) for those with a bachelor's degree or higher. Higher education is clearly important to not only the future of our children, but our economy as well.

The 2014 *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 12.1 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 49 states and the District of Columbia 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. “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 – Some states offer matching grants or scholarship programs, typically matching up to \$500 of contributions for qualifying families.
- Direct Sold – All states that offer 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 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 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. Additionally, some savings plans 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)
- 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)

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](http://CollegeSavings.org); and follow CSPN on [Twitter](https://twitter.com/CSPN) and [Facebook](https://www.facebook.com/CSPN).

The College Savings Plans Network is governed by an Executive Board of state Treasurers and state Program Directors. The 2015 Executive Board is:

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