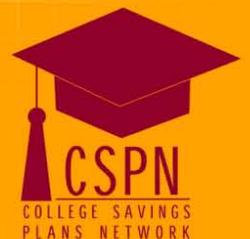


SEPTEMBER 2011

COLLEGE SAVINGS PLANS NETWORK
529 REPORT

AN EXCLUSIVE MID-YEAR
REVIEW OF 529 PLAN
ACTIVITY



September 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 2011 mid-year **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 currently offered by 49 states and the District of Columbia.

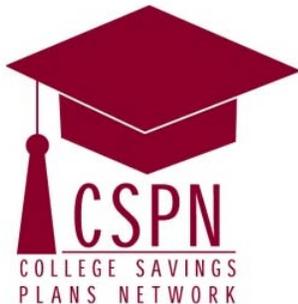
According to the U.S. Department of Labor, 62% of all U.S. jobs now require a minimum of two-year or four-year degrees, or special post-secondary occupation certificates or apprenticeships. That number is expected to increase to 75% by 2020. This indicates that planning for higher education expenses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

Findings from the 2011 mid-year **529 Report** demonstrate that total assets and the average account balance have reached new record levels of nearly \$170 billion and \$17,000, 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. 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 and grandchildren.



Joan Marshall
Chair
College Savings Plans Network



Executive Summary

The College Savings Plans Network's **529 Report** is an unbiased source for complete and up-to-date information on Section 529 College Savings Plans. The mid-year 2011 **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 period ending June 30, 2011.

Data shows that the total investment by American families in 529 plans has reached a record level of \$169.71 billion. Including growth from new net contributions and investment returns, total assets in 529 plans grew by 25.6% since July 1, 2010. Similarly, the average 529 account plan balance increased 26.3% since July 1, 2010 to \$16,959.

The report also demonstrates that saving for a college education continues to be a priority for parents and grandparents as 46% of all 529 accounts received contributions in the first half of 2011.

529 Plans

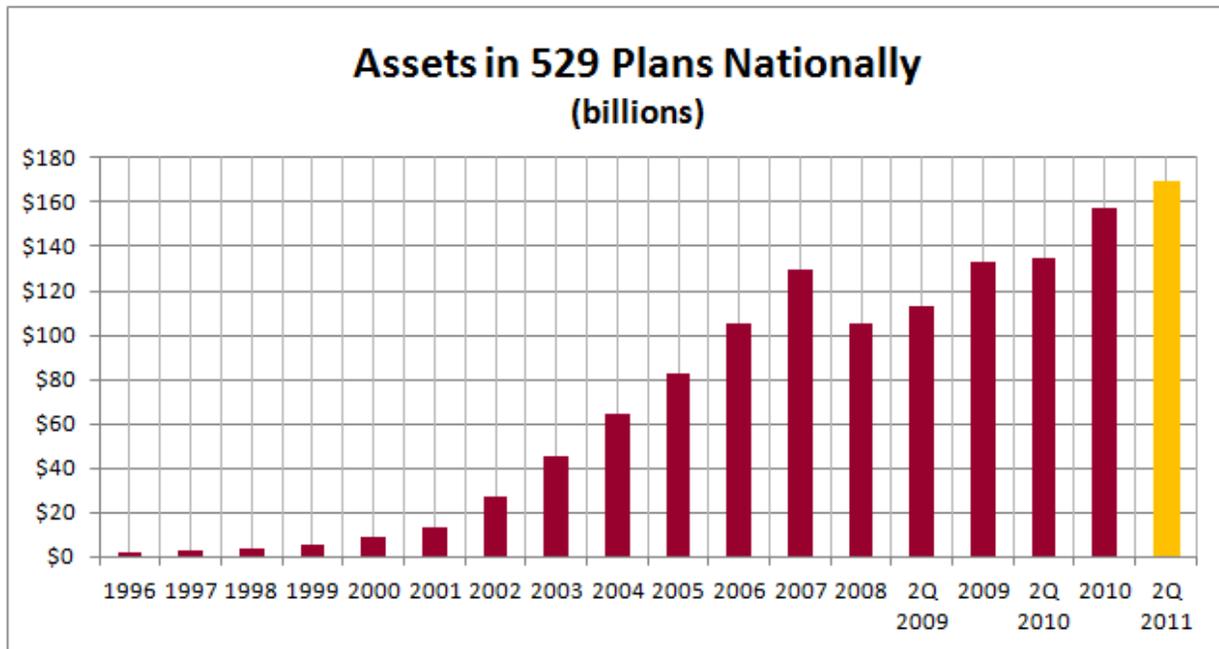
A 529 Plan is a tax-advantaged investment plan designed to encourage saving for the future higher education expenses of a designated beneficiary, which could be one's child or grandchild, but could also be any other individual (including oneself for adults investing for their own higher education). The 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 as of June 30, 2011 with \$169.71 billion invested nationally. This is a 25.6% increase for the time period July 1, 2010 to June 30, 2011.

The chart below shows annual 529 plan assets based upon data collected from 1996 through June 30, 2011.



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2Q 2009	2009	2Q 2010	2010	2Q 2011
Assets in billions	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	113.5	133.41	135.15	157.43	169.71

While total assets increased by 25.6%, assets in the plans increased 18.5% net of contributions and distributions to the plans for the twelve month period ending June 30, 2011. For comparative purposes, the S&P500 realized a 27.9% increase, and the Barclays Capital Aggregate Bond Index increased 3.9% 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.

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 37% at public institutions and 25% at private institutions between 1999-2000 and 2009-2010.

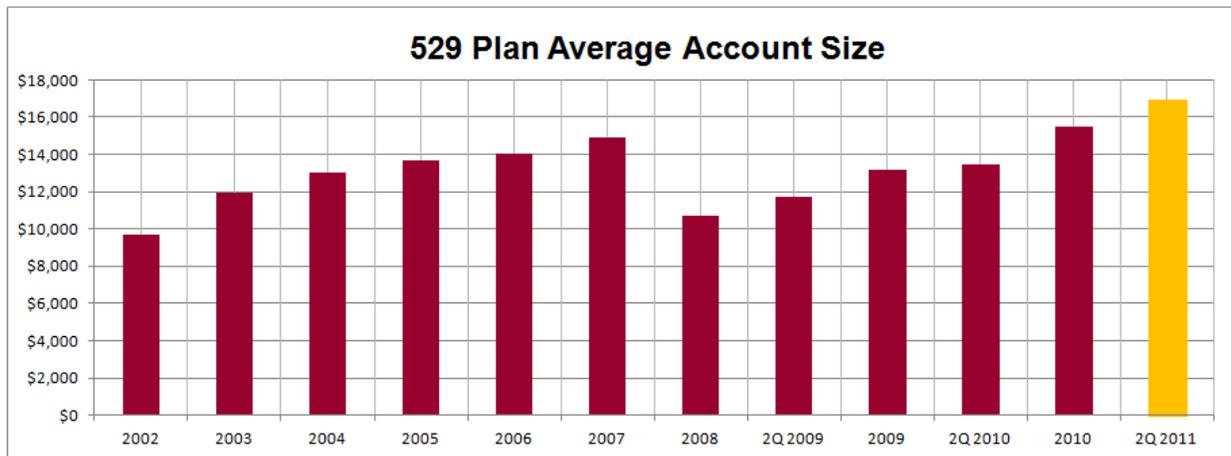
Average Account Size

As of June 30, 2011, 529 plan accounts reached a new record high average account balance of \$16,959, compared to \$13,425 as of June 30, 2010, and represents a one-year increase of 26.3%. 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.

According to the College Board’s *Annual Survey of Colleges*, published in-state tuition and fees (including room and board) at public four-year institutions averaged \$16,140 in 2010-2011; 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 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. The same \$16,959 in the average 529 plan would cost \$24,691 to borrow and pay back at 8% interest over 10 years.

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.

The chart below shows the difference in average 529 plan account size from 2002-June 30, 2011.



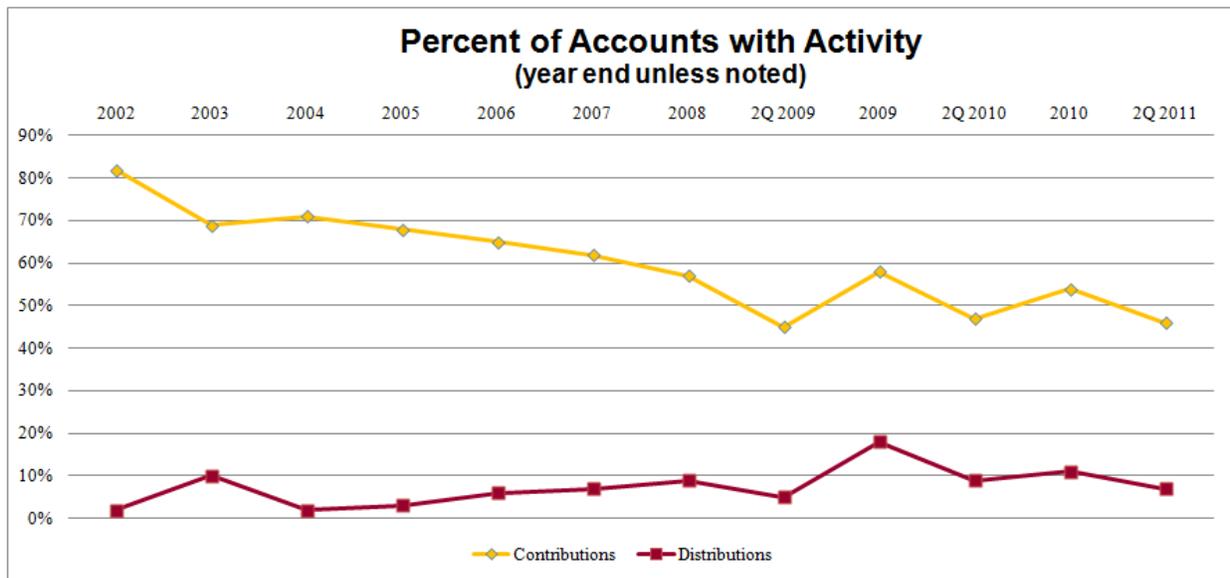
	2002	2003	2004	2005	2006	2007	2008	2Q 2009	2009	2Q 2010	2010	2Q 2011
Assets	\$9,688	\$11,929	\$13,022	\$13,689	\$14,026	\$14,932	\$10,690	\$11,751	\$13,188	\$13,425	\$15,492	\$16,959

Account Activity

Contributions to new and existing 529 accounts nationwide exceeded \$19.5 billion from July 1, 2010 to June 30, 2011. Nearly half (46%) of all 529 accounts received contributions in the first half of 2011. While this percentage is down in comparison to year-end 2010, it is in line with mid-year data from 2010 (47%), and 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.

529 account activity demonstrates the potential and need for further growth in 529 accounts. As of June 30, 2011, approximately 10.3% or 1.04 million 529 accounts took a distribution.

The chart below shows the percent of 529 accounts with activity for 2002-June 30, 2011.



% of accounts with	2002	2003	2004	2005	2006	2007	2008	2Q 2009	2009	2Q 2010	2010	2Q 2011
Contributions	82%	69%	71%	68%	65%	62%	57%	45%	58%	47%	54%	46%
Distributions	2%	10%	2%	3%	6%	7%	9%	5%	18%	9%	11%	7%

Conclusion

The need for higher education has probably never been more important. More than half of America's jobs currently require a college degree, according to the U.S. Department of Labor, and 75% are expected to require higher education by 2020. In addition, 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.

Unemployment is also another critical issue. The Bureau of Labor Statistics currently reports a 9.1% unemployment rate in the United States, however, that number is significantly lower (4.3%) 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 2011 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 10 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 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. 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 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 are eligible to accept federal financial aid.

Who offers 529 Plans?

Currently 49 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.

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.

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, fourteen 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)

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 2011 Executive Board is as follows:

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