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Investment News

529 plans gaining traction — and assets

By Liz Skinner

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A growing number of people who save for their children's college costs with Section 529 plans are steadily outpacing those parents who do not use these tax advantaged savings plans, according to a new survey by the College Savings Foundation.

About 76% of parents with a 529 plan have saved at least \$5,000 per child — compared with 29% who managed to save this amount for college without one, the national survey of parents found. (About a quarter of the survey respondents were saving for college with 529 plans.)

Of course, \$5,000 is not nearly enough to cover the full cost of a four-year college education, but the survey also demonstrated that some savers are using 529 plans to accumulate significant coffers for college.

About 11% of 529 plan owners saved more than \$100,000 per child, compared with 3% who have saved this much without one.

About 20% of those with 529 plans have saved between \$10,000 and \$25,000 per child and another 20% have saved between \$25,000 and \$50,000 per child, the survey said. Half of the 529 plan holders cited the rising cost of college as the reason for choosing the college savings plans that are named after the federal legislation that created them in 1996. The ability to transfer the accumulated savings between children is the reason 39% of parents with 529 plans chose this tool for savings.

What do advisers think of 529 plans? Find out in this *InvestmentNews* report.)

"529 college savings plans are designed to meet each saver's time horizon and risk tolerance," said Roger Michaud, chairman of the College Savings Foundation. Savers have investment options based on age-based portfolios, growth oriented investments like equities and conservative investments such as certificates of deposit, "which are particularly important as a child reaches college age," said Mr. Michaud, who also is senior vice president of Franklin Templeton Distributors Inc., which manages New Jersey's adviser-sold 529 plan.

The fifth annual survey of parents' college saving habits also found parents are more on top of their savings needs, with 34%— the highest level in four years — saying they know how much they need to accumulate for their kids' college costs. Last year, 27% gave that answer.
