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529 College Savings Plans Assets Near \$150 Billion in 2Q 2011***College Savings Foundation Data Show Strong Year-Over-Year Growth and Continued Momentum in 529 Contributions***

Washington, DC, August 18 – 529 college savings plan assets rose again in the second quarter of 2011 to reach \$149.8 billion, up 2.4 percent from the first quarter at \$146.4 billion and up 27 percent increase from \$117.6 billion in the second quarter of 2010. These are the findings of the second quarter 529 college savings performance, portfolio, and purchasing trends report released by the College Savings Foundation (CSF) using data provided by CSF members and analyzed by the Financial Research Corporation (FRC).

CSF's quarterly 529 data report – representing \$64.7 billion in 529 assets as of 2Q 2011, or approximately 43.2 percent of the industry, provides a comprehensive look into the trends among parents and families investing in 529 college savings plans for their children's education.

This quarter's data showed year-over-year growth in net contributions – or new money flowing into 529 college savings plans minus distributions -- as well as momentum for the growth that has been building over the last three years.

CSF members reported \$1.012 billion in net contributions in 2Q 2011, up 8.8 percent from \$931 million in 2Q 2010, and the highest second quarter since before the credit crisis, when investors poured in \$1.246 billion. The second quarter's net contributions are up 78 percent from \$568 million in 2Q 2009 and up 1.6 percent from \$997 million in 2Q 2008. Although net contributions were off 8.5 percent from the first quarter of 2011, at \$1.106 billion, this is typical given that the first quarter is traditionally among the most popular quarters for parents to invest in 529s.

“This data shows that year over year American families are continuing to invest in 529s for their children's education. They are clearly making college savings a priority,” said CSF Chair Roger Michaud. 529 college savings accounts enable savers to grow their investments Federal income tax free when they are withdrawn for college tuition and other qualified higher education expenses.

Since the latter half of 2008, investor momentum has returned to 529s as the fourth, first and now second quarter net contributions have continued to post year-over-year higher highs. Those three quarters are an important indicator of momentum as they are traditionally periods of asset accumulation in comparison to the third quarter which reports higher levels of distribution for annual tuition payments.

Yet even looking at four-quarter time periods, the data also showed year-over-year improvement over the last three years. Net contributions have totaled \$2.822 billion in the most recent four quarters from 3Q 2010 to 2Q 2011, up from \$2.784 billion in the prior four quarters from 3Q 2009 to 2Q 2010 and up from \$1.718 billion in the previous four quarters from 3Q 2008 to 2Q 2009.

In terms of overall 529 account activity, reporting CSF members saw an increase -- in the percentage of existing shareholders who made additional contributions -- over the first quarter. An average of 41.5 percent of reporting accounts were actively making contributions during the second quarter compared to 39.2 percent in the previous quarter. Advisor plans reported a slightly higher percentage of accounts: 41.6 percent in the second quarter as compared to 36.6 percent in the first.

On the other side of the ledger, plans reported that 1.8 percent of their accounts were taking qualified distributions compared to 2.3 percent in the prior quarter. Advisor-sold plans averaged 1.7 percent while direct-sold plans averaged 1.9 percent.

New Contributions

CSF members reported \$1.796 billion in new contributions - or new money flowing into 529s - in the second quarter, down 18 percent from the 1Q 2011. Historically 529 new contributions tend to fall off from what are usually annual highs in new 529 plan contributions in the first quarter of the year. New contributions in the second quarter were also down 13.4 percent from \$2.075 billion in the second quarter of 2010. However, this quarter was an anomaly in that it had actually exceeded the 1Q 2010 contributions.

When making comparisons back to 2009, however, new contributions are significantly higher: 2Q 2011 numbers posted a 47.2 percent increase from the second quarter of 2009 at \$1.220 billion, and 3 percent higher than in the 2Q 2008, prior to the period of high market volatility.

In terms of long term momentum, new contributions have totaled \$7.432 billion in the most recent four quarters compared to \$6.765 billion in the prior four quarter time frame.

“Investor momentum and utilization trends will continue to improve and exceed prior benchmarks as industry participants continue to initiate innovative marketing campaigns, launch new products and broaden its distribution channels and target markets to new demographics,” said Paul Curley of FRC.

The flow of funds into newly opened 529 college savings accounts among CSF reporting members has increased year over year; and in the case of advisor-sold funds, new funding has actually increased since the first quarter. The average new

funding amount per account reported by CSF members was \$5,048 in 2Q 2011, off from \$5,434 in the first quarter but up from \$4,991 one year ago. Advisor-sold plans averaged a new account size of \$5,580 in the second quarter, compared to \$4,829 in the first, and \$5,652 one year ago. Direct-sold plans averaged a new account size of \$4,693 in the second quarter compared to \$5,804 in the first, and \$4,140 on year ago.

“Families are investing more into 529 accounts year over year; and even quarter over quarter in advisor accounts, suggesting that families appreciate the financial guidance,” Michaud said.

Strategies for Successful Saving

Parents continue to use automatic funding to help them save. Automatic funding accounted for 36 percent of new inflows into 529 college savings plans in the second quarter, up from 32 percent in 1Q 2011. Forty-three percent of new contributions to Direct-sold plans came through automatic funding, up from 36 percent last quarter; and 30 percent for Advisor-sold plans, up from 27 percent last quarter.

Parents are also combining the strategies of automatic funding with Age-Based Portfolios, investments that become increasingly conservative as the child nears college age. Automatic funding contributed significantly – 30 percent – to new contributions of Age-Based Portfolios in the second quarter, although down slightly, from 32 percent, in the 1Q 2011. Twenty one percent went to Individual Funds, compared to 16 percent last quarter, and 25 percent sent to Static Portfolios compared to 27 percent in the 1Q 2011.

“We know that it’s easier for people to save early and consistently when they don’t have to think about it. By enrolling in an automatic funding program – even for small monthly amounts – parents can begin saving now and increase ongoing contributions over time,” said Michaud.

Age-Based Portfolios continued to dominate assets, new contributions and net contributions in the second quarter.

Portfolio Type	2Q11 AUM	% AUM	2Q11 New Contributions	2Q11 Net Contributions	% of Net Contributions	Contribution/Asset Sales	3-Mo Asset Change
Age-Based Portfolio	\$43,078.2	66.6%	\$1,188.4	\$734.9	72.6%	1.7%	2.3%
Static Portfolio	\$14,734.1	22.8%	\$353.7	\$154.2	15.2%	1.1%	1.0%
Individual Fund	\$6,873.5	10.6%	\$254.2	\$123.3	12.2%	1.8%	2.8%
<i>Grand Total</i>	<i>\$64,685.7</i>	<i>100.0%</i>	<i>\$1,796.3</i>	<i>\$1,012.4</i>	<i>100%</i>	<i>1.6%</i>	<i>2.0%</i>

Age-Based Portfolios, which typically become more conservative as the beneficiary reaches college age, accounted for \$43.1 billion, or 66.6 percent of assets in the 2Q 2011, up from \$42.1 billion, or 66 percent of reporting CSF members' assets in 1Q 2011. They also posted positive net contributions of \$734.9 million, or 72.6 percent of the 2Q 2011, down from \$803 million, or 73 percent of the group's net contributions in the 1Q 2011.

Static Portfolios, which have fixed asset allocations over the course of the time accounted for \$14.7 billion, or 22.8 percent of assets in the 2Q 2011, up from \$14.6 billion, or 23.0 percent of reporting CSF members' assets in 1Q 2011. They also posted positive net contributions of \$154.2 million, or 15.2 percent of the 2Q 2011, down from \$178 million, or 16 percent of the group's net contributions in the 1Q 2011.

Individual-Fund Portfolios, which invest in a single underlying investment vehicle, including mutual funds, CDs and stable value products, accounted for \$6.9 billion, or 10.6 percent of assets in the 2Q 2011, up from \$6.7 billion, or 11 percent of reporting CSF members' assets in 1Q 2011. They also posted positive net contributions of \$123.3 million, or 12.2 percent of the 2Q 2011, down from \$125 million, or 11 percent of the group's net contributions in the 1Q 2011.

Equity still the major choice for investors

The second quarter data underscore the strategies that most parents use in their 529 investments: investing more aggressively in equities when the child is young to keep up with college cost inflation, and then becoming more conservative as the child gets closer to college age and taking distributions from those conservatively-invested funds to pay for college. Those portfolios with conservative allocations – or those with an equity allocation of less than 20 percent – experienced net outflows for the seventh straight quarter.

The next bracket of 21 to 40 percent equity allocation experienced net inflows. Each additional band of equity exposure experienced increasing levels of net inflows continuing the trend seen in the 1Q 2011, the 4Q 2010 and the 3Q 2010.

Equity Allocation	2Q11 AUM	% AUM	2Q11 New Contributions	% New Contributions	2Q11 Net contributions	% Net Contributions	3-Mo Asset Change
<=20% Equity	\$8,389.2	16.4%	\$224.2	15.2%	-\$7.0	-0.8%	7.8%
21%-40% Equity	\$7,391.6	14.4%	\$179.3	12.1%	\$103.8	12.4%	-2.8%
41%-60% Equity	\$9,764.6	19.1%	\$226.9	15.4%	\$115.3	13.8%	2.5%
61%-80% Equity	\$9,891.7	19.3%	\$335.3	22.7%	\$260.4	31.2%	2.6%
81%-100% Equity	\$15,820.4	30.9%	\$511.1	34.6%	\$363.6	43.5%	1.3%
Grand Total	\$51,257.7	100%	\$1,476.7	100%	\$836.0	100%	2.2%

\$ in millions

Among the CSF reporting members, 50.2 percent of assets or \$25.7 billion were allocated to equity dominant portfolios (over 60 percent equities). These equity dominant portfolios captured about 75 percent of the second quarter net contributions and over 50 percent of the new contributions, showing that more new investors are putting funds into the aggressive allocation funds.

Compared to a year ago, there were slightly more assets are in the most conservative category and slightly fewer in the 41-60 and 61-80 percent equity category: 16 percent of assets are in conservative portfolios as compared to 12 percent in 2Q 2010; 15 percent contain 21-40 percent equity versus 15 percent one year ago; 19 percent contain 41-60 percent equity versus 20 percent; 19 percent contain 61-80 percent equity versus 22 percent, and 31 percent contain 81-100 percent of assets in equity as compared to 31 percent one year ago.

Compared to the first quarter, the most conservative (less than 20 percent equity) rose to 16 percent from 15 percent in the 1Q 2011; and the 21-40 percent equity category fell to 14 percent from 15 percent.

Index Options

Investors are increasingly demanding index investment options as identified by the number of accounts on a quarter-over-quarter and year-over-year basis. There were approximately 497,076 accounts invested in index investment options during 2Q 2011, which is a 2.8 percent increase compared to the prior quarter which reported 483,562, and 13 percent higher than the second quarter of last year, 22 percent higher than 2Q 2009 with 406,092 accounts, and over 48 percent higher than 2Q 2008 with 334,438 accounts.

On an assets under management basis, CSF members reported that \$5.9 billion was invested in index options, which is a 4 percent increase on a quarterly basis, compared to 2.4 percent for the industry as a whole. On an annual basis, index

investment options increased their assets under management by 35.7 percent compared to overall industry assets which increased by 27.4 percent. Despite the momentum in number of accounts and assets, new contributions into index investment options decreased by 23.5 percent over the last quarter and increased by 19 percent for the year. A similar trend was found in net contributions, which decreased by nearly 20 percent on a quarterly basis and increased by 21.5 percent on an annual basis.

About College Savings Foundation

The College Savings Foundation (CSF) is a Washington, D.C.-based not-for-profit organization whose mission is to help American families achieve their education savings goals, by working with public policy makers, media representatives and financial services industry executives in support of education savings programs. For more information on CSF and its mission, please access www.collegesavingsfoundation.org