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529 College Savings Plans Assets Top \$127.4 Billion in 3Q 2010***College Savings Foundation Data a Bellwether for the Marketplace***

Washington, DC, December 9 – 529 college savings plan assets rose in the third quarter to \$127.4 billion, up 8.5 percent from the second quarter and 15 percent year over year. These are the findings of the third 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 data report on 529 college savings plans is drawn from reporting members of the College Savings Foundation representing \$51.8 billion, or approximately 41 percent of the 529 college savings plan assets in 3Q 2010. They saw a 9 percent increase in assets from the second quarter's \$47.5 billion, and a 17.9 percent increase from the \$44 billion reported one year ago. As such, the CSF data can serve as a bellwether for the Section 529 college savings plan market.

CSF reporting firms saw \$1.372 billion in new contributions to 529 college savings plans in the third quarter of 2010 – an 8 percent increase over 3Q 2009 and the highest level of 3Q new contributions since 2007's \$1.442 billion.

“Over the past two years and during one of the worst recessions in history, we are seeing parents and grandparents saving more than they did before. This confirms that families recognize the importance and benefit of saving versus borrowing to pay for their children's college education,” said Peter Mazareas, Chair of the College Savings Foundation.

“We are also seeing more parents using sound savings strategies such as automatic funding to make it easier for them to save consistently over time,” he added.

Automatic funding is responsible for 42 percent of new contributions among reporting CSF members' 529 college savings plans, with 46 percent of new contributions attributable to automatic funding in Direct sold plans, and 40 percent in Advisor sold plans. Automatic funding also accounts for 48 percent of new contributions to Age-Based Portfolios, whose investments become increasingly conservative as the child nears college age, as well as 48 percent of new contributions to Static Portfolios. Thirty-seven percent of new contributions in Individual Funds come from Automatic Funding.

“In the third quarter parents of college aged children used their 529s for what they were intended - to pay qualified college expenses,” Mazareas added. CSF members saw a decline in net contributions (new contributions minus distributions) in the 3Q 2010 as compared to the previous quarter reflecting the cyclicity of parents paying tuition in September. The quarter saw net outflows of \$113 million, a \$167 million swing from the net inflows of \$54 million in 3Q 2009. Net contributions were \$895 million in the 2Q2010.

New contributions, while higher than last year, saw a 37 percent decline from 2Q 2010. The third quarter historically attracts fewer new contributions than in other quarters of the same year. In the last six years, four had the lowest level of new contributions in the third quarter.

In terms of the kinds of portfolios attracting investors, Age-Based Portfolios continued to dominate both assets and net contributions in the third quarter.

Age-Based Portfolios accounted for \$33.7 billion, or 65 percent of reporting CSF members’ assets, in the third quarter. This compares by category to Static Portfolios at \$12.2 billion, or 23.5 percent, and to Individual Funds at \$5.9 billion, or 11.5 percent, of assets. These were roughly the same percentages as in 2Q 2010.

Year over year, the comparisons show a shift in assets from Static Portfolios to Individual Funds. Although Age-Based Portfolios assets declined only slightly from the 66.4 percent they represented among CSF reporting members one year ago, Individual Funds increased to 11.5 percent from 7.2 percent one year ago; and Static Portfolios declined to 23.5 percent from 26.4 percent one year ago. The increase in Individual Funds may reflect their more tactical approach to investments in a changing market.

In terms of net contributions, Age-Based portfolios attracted net inflows of \$22.9 million in the third quarter. This compares to outflows of \$99 million for Static portfolios and outflows of \$36 million for Individual Funds.

Portfolio Type	3Q10 AUM	% AUM	3Q10 Net Sales	% Net Sales	Sales/Asset Ratio	3-Mo Asset Change
Age-Based Portfolio	\$33,709.2	65.0%	\$22.9	-20.4%	0.1%	6.1%
Static Portfolio	\$12,174.4	23.5%	-\$99.1	88.1%	-0.9%	8.1%
Individual Fund	\$5,968.4	11.5%	-\$36.4	32.3%	-0.6%	5.4%
<i>Grand Total</i>	<i>\$51,852.0</i>	<i>100.0%</i>	<i>-\$112.6</i>	<i>100%</i>	<i>-0.2%</i>	<i>6.5%</i>

\$ in millions

In terms of Equity/Fixed Income Allocation, those portfolios with conservative allocations – or those with an equity allocation of less than 20 percent – experienced

net outflows for the fourth straight quarter. This trend can be attributable to the fact that most beneficiaries at or near college age are taking qualified distributions from conservatively allocated portfolios.

The next bracket of 21 to 40 percent equity allocation experienced fewer net outflows. Each additional band of equity exposure experienced positive and increasing levels of net inflows.

The majority of equity investments are in Age-Based Portfolios that use equities to maximize growth when a child is young, and become increasingly conservative and fixed-income heavy as a child approaches college age.

Equity Allocation	3Q10 AUM	% AUM	3Q10 Net Sales	% Net Sales	Sales/Asset Ratio	3-Mo Asset Change
<=20% Equity	\$4,472.7	11.9%	-\$245.5	1174.0%	-5.4%	-0.9%
21%-40% Equity	\$5,319.7	14.2%	-\$105.0	502.0%	-2.0%	3.5%
41%-60% Equity	\$7,372.0	19.6%	\$10.1	-48.5%	0.1%	3.4%
61%-80% Equity	\$8,650.3	23.0%	\$131.4	-628.3%	1.7%	9.4%
81%-100% Equity	\$11,721.6	31.2%	\$188.1	-899.2%	1.8%	9.4%
<i>Total</i>	<i>\$37,536.3</i>	<i>100%</i>	<i>-\$20.9</i>	<i>100%</i>	<i>-0.1%</i>	<i>6.0%</i>

\$ in millions

CSF members reporting their portfolio level equity/fixed income asset allocation accounted for \$37.5 billion in assets as of 3Q 2010 compared to \$34.2 billion as of 2Q 2010 – and are spread across the categories similarly to one year ago. Nearly twelve percent of assets are in conservative portfolios as compared to 13 percent in 3Q 2009; 14 percent contain 21-40 percent equity versus 15 percent one year ago; 20 percent contain 41-60 percent equity versus 20 percent; 23 percent contain 61-80 percent equity versus 23 percent, and 31 percent contain 81-100 percent of assets in equity as compared to 29 percent one year ago.

Reflecting the point of view that equity-dominant portfolios can match or exceed college cost inflation in a child's early years, each of the two equity-dominated categories rose by 9 percent in assets over the 2Q 2010. Representing a balanced approach, the 41-50 percent equity portfolios rose 3.4 percent in the quarter, and the 21-40 percent equity category rose 3.5 percent. The conservative category went down 0.9 percent.

“As indicated by the distributions of investment allocations, 529 college savings plans offer a host of investment choices ranging from FDIC-insured savings accounts to all-equity options, in order to meet the risk tolerance level and investment philosophy of all investors,” stated Mazareas.

There were approximately 450,000 accounts invested in index investment options during 3Q 2010, which is a 2.3 percent increase compared to the prior quarter, and 8.1 percent increase compared to 3Q 2009. On an asset under management basis, CSF members reported that \$4.8 billion was invested in index options, which is a 10 percent increase on a quarterly basis and 23 percent increase on an annual basis. New contributions into index investment options also increased 9.9 percent on a year over year basis as they pulled in \$151.2 million in 3Q10 compared to \$166.0 million in 3Q09. Net contributions into index investment options were \$55.8 million in 3Q 2010 compared to \$125.2 million in 3Q 2009.

FRC data showed that overall the number of 529 college savings accounts were 9.5 million.

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