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529 College Savings Plans Assets Top \$138.2 Billion in 4Q 2010***College Savings Foundation Data a Bellwether for the Marketplace***

Washington, DC, February 24 – 529 college savings plan assets rose again in the fourth quarter 2010 to \$138.2 billion, up 8.2 percent from 3Q10 assets of \$127.8 billion and 18 percent increase from 4Q09 assets of \$117.0 billion. These are the findings of the fourth 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 \$59.3 billion, or approximately 43 percent of the 529 college savings plan assets in 4Q 2010. They saw a 14 percent increase in assets from the third quarter's \$51.8 billion, and a 34 percent increase from the \$44.4 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 strong increases in new contributions – or new money flowing into 529 college savings plans – as well as net contributions, or inflows of funds minus distributions towards college tuition and qualified expenses. This surge was reflected in year-over-year as well as quarter-over-quarter results.

CSF reporting firms saw \$2.095 billion in new contributions to 529 college savings plans in the fourth quarter of 2010 – a 53 percent increase from the third quarter's \$1.372 billion and a 28 percent increase over \$1.635 billion in the 4Q 2009.

On an annual basis, 2010 shaped up as the best year in new contributions since 2007 for reporting CSF members: \$7.424 billion in 2010 compared to \$5.386 billion in 2009 and \$6.584 billion in 2008. New contributions in 2007 annual figure were \$7.741 billion.

CSF members posted net contributions of \$820 million in 4Q10, compared to net outflows of \$113 million in the previous quarter. The third quarter generally is lower since that is the time when most parents pay tuition, or the qualified college expense for which 529s were created.

However, when looking at the \$820 million in net contributions year-over-year, CSF member saw net contributions increase 15 percent from \$713 million in 4Q09 and increase 71 percent from \$478 million in 4Q08.

“American families are clearly committed to saving for their children’s college education,” said Roger Michaud, Chair of the College Savings Foundation. “We are seeing a strong momentum year-over-year and quarter-over-quarter.”

CSF data-reporting members represented 42.3% of the industry’s 9.5 million 529 accounts.

Automatic funding is responsible for 30 percent of new contributions among reporting CSF members’ 529 college savings plans, with 33 percent of new contributions attributable to automatic funding in Direct sold plans, and 27 percent in Advisor sold plans. These numbers are down from 3Q2010 levels of 42 percent of new contributions, with 46 percent attributable to automatic funding in Direct sold plans, and 40 percent in Advisor sold plans. Paul Curley, Director of Research of Financial Research Corporation, believes that one reason investors contributed above and beyond their automatic enrollments during the quarter was for year-end tax purposes.

In the fourth quarter, automatic funding also accounted for 26 percent of new contributions to Age-Based Portfolios, whose investments become increasingly conservative as the child nears college age, as well as 15 percent of new contributions to Static Portfolios, and 17 percent of Automatic Funding.

“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 get started and then increase them over time,” said Michaud.

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

Age-Based Portfolios, which become more conservative as the beneficiary reaches college age, accounted for \$39.2 billion, or 66 percent of reporting CSF members’ assets, in the fourth quarter, up from \$33.7 billion in the third.

They also posted positive net contributions of \$620.7 million – or three quarters of the net contributions, compared to \$22.9 million in the third quarter and \$500 million in the 4Q 2009, when they made up 72 percent of the total.

Assets were down for Static Portfolios, which had \$6.3 billion, or 10.7 percent, of CSF reporting assets, down from \$12.2 billion in 3Q 2010. Individual Funds assets were up to \$13.7 billion, or 23 percent of the group, compared to \$6.0 billion.

In terms of net contributions, Static portfolios posted \$56.2 million – or roughly 7 percent of the total, compared to 3Q outflows of \$99 million. This represents a steep

decline year over year, when they had posted \$135 million, or 19 percent of the total.

Individual Funds saw net contribution of \$142.7 million – or 17 percent of the total, compared to outflows of \$36 million for Individual Funds. One year ago they had net contributions of \$60 million, or only 9 percent, of the total.

“As the investor sentiment improves with appreciating market values and dropping volatility as noted by the Vix index dropping 44 percent over the last two years, we are seeing investors shift towards funds that have the flexibility to make tactical allocations.” said Paul Curley, Director of Research of Financial Research Corporation.

Portfolio Type	4Q10 AUM	% AUM	4Q10 Net contributions	% Net Contributions	Contribution/Asset Ratio
Age-Based Portfolio	\$39,207.2	66.1%	\$620.7	75.7%	1.8%
Static Portfolio	\$6,327.0	10.7%	\$56.2	6.9%	1.0%
Individual Fund	\$13,752.8	23.2%	\$142.7	17.4%	1.2%
<i>Grand Total</i>	<i>\$59,286.9</i>	<i>100.0%</i>	<i>\$819.7</i>	<i>100%</i>	<i>1.6%</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 fifth 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 continuing the trend seen in the third quarter.

The majority of assets that are in Age-Based Portfolios are in the most aggressive category of 81 percent to 100 percent equity allocation. This allocation bracket is used to maximize growth when a child is young, and becomes increasingly conservative and fixed-income heavy as a child approaches college age.

Equity Allocation	4Q10 AUM	% AUM	4Q10 Net Contributions	% Net Contributions	Contributions/Asset Ratio	3-Mo Asset Change
<=20%						
Equity	\$7,604.31	16.4%	(\$149.78)	-22.8%	-2.5%	27.6%

21%-40%						
Equity	\$5,046.23	10.9%	(\$2.40)	-0.4%	0.0%	-5.1%
41%-60%						
Equity	\$8,619.92	18.5%	\$110.16	16.8%	1.5%	17.3%
61%-80%						
Equity	\$10,402.44	22.4%	\$284.20	43.3%	3.1%	14.1%
81%-100%						
Equity	\$14,816.18	31.9%	\$414.46	63.1%	3.4%	21.3%
<i>Total</i>	<i>\$46,489.08</i>	<i>100%</i>	<i>\$656.64</i>	<i>100%</i>	<i>1.6%</i>	<i>6.9%</i>

\$ in millions

CSF members reporting their portfolio level equity/fixed income asset allocation accounted for \$46.5 billion in assets as of 4Q 2010, as compared to \$37.5 billion in 3Q 2010. The equity dominant portfolios (over 60 percent equity) represent 54.2 percent of assets (as in the 3Q) and nearly \$700 million in net contributions in the 4Q 2010.

Compared to a year ago, slightly more assets are in each of the most conservative and most aggressive categories: 16 percent of assets are in conservative portfolios as compared to 13 percent in 4Q 2009; 11 percent contain 21-40 percent equity versus 15 percent one year ago; 19 percent contain 41-60 percent equity versus 20 percent; 22 percent contain 61-80 percent equity versus 23 percent, and 32 percent contain 81-100 percent of assets in equity as compared to 29 percent one year ago.

Compared to the third quarter, the two conservative categories shifted a bit in their percent of assets in the fourth quarter while the other categories stayed virtually the same. The most conservative (less than 20 percent equity) rose to 16 percent from 12 percent in the 3Q 2010; and the 21-40 percent equity category dropped to 11 percent from 14 percent in the third quarter.

“529 college savings plans offer a wide array 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 Michaud.

There were approximately 490,000 accounts invested in index investment options during 4Q 2010, which is a 9 percent increase compared to the prior quarter of 450,000, and 14 percent increase compared to 4Q 2009 of 429,000. On an asset under management basis, CSF members reported that \$5.3 billion was invested in index options, which is a 10 percent increase on a quarterly basis and 25 percent increase on an annual basis. New contributions into index investment options also increased 23% on a year-over-year basis from \$213.3 million in 4Q 2009 to \$261.8 million in 4Q 2010 and jumped 73% on a quarter-over-quarter basis from \$151.2 million in 3Q 2010.

Net contributions into index investment options almost tripled to \$173 million in the 4Q 2010 versus \$56 million in the 3Q 2010, and had increased 12 percent from the 4Q 2009 when they were \$154 million. Net contributions are typically down in the third quarter since investors are using the 529s to pay for college expenses.

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