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529 College Savings Plans Attract New Savings as Overall Assets Top \$123 Billion in 1Q2010

Washington, DC, July 14 – Families continued their saving streak for college in the first quarter of 2010, as overall assets of 529s surged to \$123 billion, up 5.4 percent from the prior quarter and 44 percent over the past year. These are the findings of the first 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 reporting firms saw the highest level of new contributions to their 529 college savings accounts since the first quarter of 2008 – exactly two years. The group saw \$1.778 billion in new contributions in the first quarter of 2010, representing a 9 percent increase over the fourth quarter and a 42 percent increase year over year.

CSF's quarterly data report on 529 college savings plans is drawn from reporting members of the College Savings Foundation representing \$48.9 billion, or nearly 40 percent, of the overall 529 savings plan assets in the first quarter 2010. As such, the CSF data can serve as a bellwether for the Section 529 college savings plan market.

“Consistent with the dramatic increase in the savings rates of Americans, contributions to 529 college savings plans have also risen substantially,” said Peter Mazareas, Chair of the College Savings Foundation, a leading nonprofit helping American families save for their children’s college education. “What's more, they are using smart saving strategies – starting early and using automatic savings plans – that will keep them on track toward saving more and avoiding costly debt for them and their children.”

CSF net contributions – or new contributions minus distributions – were the highest they had been in seven quarters: \$990 million, up 39 percent from the \$712 million they netted in the fourth quarter and more than double from \$487 million in the first quarter of 2009.

The fourth and first quarters tend to be the strongest because many families make college contributions toward the end of the year in order to capitalize on state tax benefits and start new tax planning and saving in the New Year.

For the most part, those investments were in equity-dominant portfolios: 93 percent of net new money flowing into 529 accounts was in portfolios with at least 61 percent allocated to equities, the same percent as in the fourth quarter. Equity-dominant portfolios also accounted for 55 percent of the assets among the 71 percent of CSF members that reported their portfolios' asset allocations. This is comparable to 54 percent of assets in the fourth quarter of 2009 and 72 percent one year ago.

It should be noted that 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	1Q10 AUM	% AUM	1Q10 Net Contributions	% Net Contributions	Contributions /Asset Ratio	3-Mo Asset Change
<=20% Equity	\$4,043.2	13.5%	-\$74.2	-11.3%	-1.8%	-4.4%
21%-40% Equity	\$4,893.7	14.9%	\$44.5	6.8%	0.9%	-2.4%
41%-60% Equity	\$6,671.1	19.8%	\$74.5	11.4%	1.1%	-4.2%
61%-80% Equity	\$7,960.7	22.8%	\$213.0	32.5%	2.7%	1.2%
81%-100% Equity	\$11,237.4	29.1%	\$397.1	60.6%	3.5%	3.8%
<i>Total</i>	<i>\$34,806.2</i>	<i>100%</i>	<i>\$654.9</i>	<i>100%</i>	<i>1.9%</i>	<i>-0.3%</i>

\$ in millions

“We are seeing that parents of young children are saving, which is a very promising trend,” said Mazareas. Statistics of reporting CSF members show that a strong majority of net contributions are flowing into equity dominated portfolios that are favored by parents with a long savings horizon.

CSF statistics also showed that its members are using automatic funding to support savings. CSF members that report on this number said that 38 percent of their new contributions in direct and advisor-sold plans came from automatic funding, with a higher percentage – 42 percent – than the industry average of 35 percent in direct sold plans, with much of that into age-based portfolios.

“Our annual surveys of parents have shown that using automatic savings accounts are key to successful saving,” he added.

Portfolio Type	1Q10 AUM	% AUM	1Q10 Net Contributions	% Net Contributions	Contributions /Asset Ratio	3-Mo Asset Change
Age-Based Portfolio	\$31,679.1	65.1%	\$618.2	62.9%	2.0%	0.8%
Individual Fund	\$5,762.0	11.8%	\$139.7	14.2%	2.4%	2.7%
Static Portfolio	\$11,458.5	23.1%	\$225.2	22.9%	2.0%	1.3%
<i>Grand Total</i>	<i>\$48,899.6</i>	<i>100.0%</i>	<i>\$983.1</i>	<i>100%</i>	<i>2.0%</i>	<i>1.1%</i>

\$ in millions

Almost 63 percent of net contributions were directed toward Age-Based Portfolios in the 1Q2010, down from 71 percent in the fourth quarter but consistent with 62 percent one year ago. Assets in Age-Based Portfolios remained consistent at 65 percent of reporting CSF assets, within one and two percentage points of one quarter and one year ago.

Static portfolios claimed 23 percent of net contributions, up from 20 percent in the fourth quarter and even with 24 percent one year ago. Static portfolios represented 23 percent of assets in the 1Q2010, the same as 4Q2009 and comparable to 26.5 percent of assets one year ago.

Individual funds represented the smallest portfolio type, with only 14 percent of net contributions, up from 9 percent of net contributions in the 4Q2009, and even with 15 percent one year ago. Individual funds were 12 percent of assets, on par with 12 percent in 4Q2009 and up 10 percent from one year ago.

Purchasing Trends

For the first time in several quarters, load portfolios surpassed no-loads in terms of net contributions, with 50 percent of net contributions, a significant rise from 38 percent in the 4Q2009, and 45 percent of assets. No-load portfolios accounted for 49 percent of net contributions – a decline from 62 percent of net contributions last quarter, and 55 percent of assets. Asset percentages did not change from the 4Q2009.

This compares with one year ago when loads had 41 percent of net contributions and 47 percent of assets, and no-loads represented 59 percent of net contributions and 53 percent of assets.

“While the market needs to offer both options, many investors may be realizing that financial advice is key to navigating challenging economic and financial markets,” Mazareas said.

Load Type	1Q10 AUM	% AUM	1Q10 Net Contributions	% Net Contributions	Contributions /Asset Ratio	3-Mo Asset Change
Load Portfolios	\$22,003.2	45.0%	\$495.6	50.4%	2.3%	4.9%
No-load	\$26,896.4	55.0%	\$487.4	49.6%	1.8%	-1.7%
<i>Grand Total</i>	<i>\$48,899.6</i>	<i>100%</i>	<i>\$983.1</i>	<i>100%</i>	<i>2.0%</i>	<i>1.1%</i>

\$ in millions

Savers in load funds continue to prefer front-end loads, which represented 62 percent of net contributions– comparable to 64 percent last quarter; and 49 percent of assets compared to 47 percent in the fourth quarter. This compares to 68 percent of net contributions and 45 percent of assets one year ago.

Level-load funds were next, with 39 percent in net contributions, down from 44 percent last quarter (and up from 33 percent of net contributions one year ago), and 35 percent of assets, same as last quarter and virtually the same as 34 percent of assets in 1Q2009.

Back-end loads, with only 16 percent of CSF reporting load assets, showed a negative net contributions number (meaning that more funds were distributed than invested) as it had last year.

Broker-Sold Shares	1Q10 AUM	% AUM	1Q10 Net Contributions	% Net Contributions	Contributions /Asset Ratio	3-Mo Asset Change
Back-End Load	\$3,612.1	16.4%	-\$8.3	-1.7%	-0.2%	-4.4%
Front-End Load	\$10,785.4	49.0%	\$309.1	62.4%	2.9%	8.1%
Level Load	\$7,605.8	34.6%	\$194.9	39.3%	2.6%	5.3%
<i>Grand Total</i>	<i>\$22,003.2</i>	<i>100%</i>	<i>\$495.6</i>	<i>100%</i>	<i>2.3%</i>	<i>4.9%</i>

\$ in millions

Index options in CSF reporting plans dropped in net contributions by 14 percent from the 4Q2009 to the 1Q2010, with comparable assets. Net contributions increased by 7 percent year over year while assets in index options increased by 36 percent over year.

FRC data showed that overall the number of 529 college savings accounts were 9.4 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