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COLLEGE SAVINGS FOUNDATION MEMBERS REPORT HIGHEST LEVEL OF NEW 529 CONTRIBUTIONS SINCE 2008

Reinforces CSF Survey Findings that More Parents are Saving for College

Washington, DC, September 21 – The College Savings Foundation, a leading nonprofit helping American families save for their children’s college education, reports that the level of new contributions to 529 college savings plans among its members were higher in the second quarter of 2010 than they have been in the two years following the first quarter of 2008 – and have seen increases over the last four quarters. 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 reporting firms saw \$2.024 billion in new contributions to 529 college savings plans in the second quarter of 2010, representing a 14 percent increase over 1Q 2010 and a 66 percent increase from 2Q 2009. The highest level of new contributions occurred in the 1Q 2008 at \$2.160 billion.

CSF’s quarterly data report on 529 college savings plans is drawn from reporting members of the College Savings Foundation representing \$47.5 billion, or approximately 41 percent of the overall to \$117.4 billion 529 savings plan assets in the second quarter 2010. As such, the CSF data can serve as a bellwether for the Section 529 college savings plan market.

Among all 529 college savings plans, total 529 assets were off 4.9 percent from the first quarter’s \$123 billion, but up 19 percent over the past year.

“Parents are saving more and relying less on long-term loans and aid as they work to gain control over their finances,” said Peter Mazareas, Chair of the College Savings Foundation.

CSF recently released the results of its fourth annual State of College Savings survey of 800 parents across the country showing that more parents (65 percent) are saving for their children’s college costs than in the last three years. And, parents are building for a stronger financial future, with a vast majority – 75 percent – teaching their children financial literacy.

CSF net contributions – or new contributions minus distributions – were \$895 million in the second quarter, down 18 percent from \$1.087 billion in the first quarter but up 58 percent from \$568 million in the second quarter of 2009. With

the exception of 1Q 2010, the 2Q 2010 was the strongest in net contributions for the organization since 2Q 2008.

This contrasts favorably to the overall industry – which saw net contributions of \$1.9 billion, off 37 percent from \$3 billion in 1Q 2010.

For the most part, those investments were in equity-dominant portfolios: 82 percent of net contributions flowing into 529 accounts went to portfolios with at least 61 percent allocated to equities, down from 93 percent in the first quarter. Equity-dominant portfolios also accounted for 53 percent of the assets among the 72 percent of CSF members that reported their portfolios' asset allocations, comparable to 55 percent in the first quarter.

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.

CSF statistics also showed that its members are using automatic funding to support savings. CSF members that report on this number said that 39 percent of their new contributions in direct and advisor-sold plans came from automatic funding, with a higher percentage – 48 percent – than the industry average of 40 percent in direct sold plans. Automatic funding among the reporting firms was particularly strong in individual funds (52 percent of new contributions) and age-based portfolios, 51 percent.

“The consumer can find what investment options he or she needs in the 529 marketplace ranging from 100 percent equity to conservative cash options,” Mazareas said.

Seventy-six percent of net contributions were directed toward Age-Based Portfolios in 2Q 2010, up from 63 percent in the first quarter, but down from 74 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 only 14 percent of net contributions, down from 23 percent in the first quarter and 19 percent one year ago. Static portfolios represented 24 percent of assets in the 2Q 2010, virtually the same as 23 percent in 1Q 2010 and 27 percent of assets one year ago.

Individual funds represented the smallest portfolio type, with only 10 percent of net contributions, compared with 14 percent of net contributions in the 1Q 2010, and 7 percent one year ago. Individual funds were 12 percent of assets, on par with 12 percent in 1Q 2010 and 8 percent from one year ago.

There were approximately 410,000 accounts invested in index options during the 2Q of 2010, a 23 percent decrease from the 530,000 accounts in the 1Q 2010. However, these levels have not changed over the last year, when there were 408,000 accounts in 2Q 2009.

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