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529 College Savings Plans Attract New Savings as Overall Assets Top \$117 Billion in 4Q 2009

Quarterly data survey of College Savings Foundation members reveals highest level of new investments in six quarters

Washington, DC, April 14 – Families stepped up their savings for college in the fourth quarter of 2009, committing more new money to 529 college savings accounts than they had in six quarters. Meanwhile, overall assets of 529s rose to \$117-billion, up 6 percent from the prior quarter and 32 percent year over year. 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 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 \$44.4 billion, or 38 percent of the overall 529 savings plan assets in the fourth quarter 2009. As such the CSF data can serve as a bellwether for the Section 529 college savings plan market.

In terms of new investments in 529s, CSF reporting firms saw \$1.6-billion in new sales in the fourth quarter of 2009, representing a 25 percent increase over the third quarter and a 26 percent increase year over year. It was the highest level of new contributions to their 529 college savings accounts in six quarters.

“American families have fixed their sights on their children’s future. By prioritizing college savings, parents are helping to reduce the level of debt incurred by the next generation to cover rising college costs,” said Peter Mazareas, Chair of the College Savings Foundation, a leading nonprofit helping American families save for their children’s college education.

Overall industry numbers show that more new accounts were opened in the last year than the year before. FRC data showed that overall the number of 529 college savings accounts jumped from 9.1 million in 2008 to 9.5 million in 2009.

A look at CSF net sales data – or new sales minus distributions – reinforces the trend of new money making its way into 529s. CSF reporting members netted \$695 million in the fourth quarter – a 45 percent increase over the fourth quarter of 2008. The fourth quarter also tends to be stronger in net sales since many families make college contributions towards the end of the year in order to capitalize on state tax benefits; and

they already will have made distributions to pay for qualified college expenses in the 3rd quarter.

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 (up from 66 percent in net sales the 3rd quarter and 86 percent one year ago).

Equity-dominant portfolios also accounted for just over half of the assets among the 79 percent of CSF members that reported their portfolios' asset allocations. This is comparable to their 54 percent of assets in the 3rd quarter of 2009 and down from 53 percent one year ago.

Equity Allocation	4Q09 AUM	% AUM	4Q09 Net Sales	% Net Sales	Sales/Asset Ratio	3-Mo Asset Change
<=20% Equity	\$5,149.1	13.5%	-\$74.2	-11.3%	-1.4%	23.9%
21%-40% Equity	\$5,015.0	14.9%	\$44.5	6.8%	0.9%	1.7%
41%-60% Equity	\$6,776.1	19.8%	\$74.5	11.4%	1.1%	-3.7%
61%-80% Equity	\$7,605.1	22.8%	\$213.0	32.5%	2.8%	-0.7%
81%-100% Equity	\$10,620.0	29.1%	\$397.1	60.6%	3.7%	-5.7%
<i>Total</i>	<i>\$35,165.3</i>	<i>100%</i>	<i>\$654.9</i>	<i>100%</i>	<i>1.9%</i>	<i>0.4%</i>

\$ in millions

It should be noted, however, 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.

Almost 72 percent of net sales were directed towards Age-Based Portfolios in the 4Q2009, up from 66 percent in the 3rd quarter and 58 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.

"Age-Based Portfolios seem to be attracting more investors and that can be a help for families that want to ensure that their college funds are in more conservative investments right before college," Mazareas said.

Static portfolios claimed 19 percent of net sales, down from 26 percent one year ago. Static portfolios represented 23 percent of assets in the 4Q2009, comparable to 23 percent of assets one year ago and 23 percent in the 3Q2009.

Individual funds represented the smallest portfolio type, with only 9 percent of net sales in the 4Q2009, down from 14 percent one year ago and up from 7 percent last quarter. Individual funds were 11 percent of assets, up from 7 percent one year and one quarter ago.

Portfolio Type	4Q09 AUM	% AUM	4Q09 Net Sales	% Net Sales	Sales/Asset Ratio	3-Mo Asset Change
Age-Based Portfolio	\$29,424.2	66.3%	\$500.0	71.9%	1.7%	0.9%
Individual Fund	\$4,774.1	10.8%	\$59.9	8.6%	1.3%	4.1%
Static Portfolio	\$10,191.8	23.0%	\$135.1	19.4%	1.3%	-0.2%
<i>Grand Total</i>	<i>\$44,390.1</i>	<i>100.0%</i>	<i>\$695.0</i>	<i>100%</i>	<i>1.6%</i>	<i>1.0%</i>

\$ in millions

Purchasing Trends

No load portfolios accounted for 55 percent of assets and 64 percent of net sales. Load portfolios accounted for 45 percent of assets and 36 percent of net sales.

This compares with one year ago when no-loads represented 57 percent of net sales and 52 percent of assets; and in the previous quarter when they were 53 percent of net sales and 52 percent of assets. One year ago loads had 43 percent of net sales and 48 percent of assets; and one quarter ago 47 percent in net sales and 48 percent in assets.

Load Type	4Q09 AUM	% AUM	4Q09 Net Sales	% Net Sales	Sales/Asset Ratio	3-Mo Asset Change
Load Portfolios	\$20,081.5	45.2%	\$247.6	35.6%	1.2%	-5.5%
No Load	\$24,308.6	54.8%	\$447.5	64.4%	1.8%	7.0%
<i>Grand Total</i>	<i>\$44,390.1</i>	<i>100%</i>	<i>\$695.0</i>	<i>100%</i>	<i>1.6%</i>	<i>1.0%</i>

\$ in millions

Savers in load funds continue to prefer front-end loads, which represented 63 percent of net sales and 47 percent of assets in the fourth quarter. This is up from 4Q2008, when front end loads represented 52 percent of net sales and 44 percent of assets.

Level-load funds were next, with 44 percent in net sales (down from 54 percent of net sales one year ago) and 35 percent of assets, the same as 4Q 2008.

Back end loads, only 18 percent of CSF reporting assets, showed a negative net sales number (meaning that more funds were distributed than invested) as it had last year.

Broker-Sold Shares	4Q09 AUM	% AUM	4Q09 Net Sales	% Net Sales	Sales/Asset Ratio	3-Mo Asset Change
Back-End Load	\$3,610.1	18.0%	-\$16.2	-6.6%	-0.4%	-18.0%
Front-End Load	\$9,410.7	46.9%	\$155.1	62.7%	1.6%	0.4%
Level Load	\$7,060.7	35.2%	\$108.7	43.9%	1.5%	-5.6%
<i>Grand Total</i>	<i>\$20,081.5</i>	<i>100%</i>	<i>\$247.6</i>	<i>100%</i>	<i>1.2%</i>	<i>-5.5%</i>

\$ in millions

Index Options

The use of index options is increasingly in popularity. Index options track a market index and are typically less expensive than their actively-managed counterparts. Among CSF data-providing members, the number of 529 accounts investing in index portfolios increased by 17 percent from year-end 2008 to year-end 2009.

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