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529 ASSETS RISE TO \$98.6 BILLION IN 2Q 2009

Washington, DC, Oct. 15 -- Assets in 529 college savings plans surged 14.7 percent to \$98.6 billion in the second quarter of 2009, up from \$85.9 billion in the first quarter. Over the last twelve months, 529 assets have decreased by 11 percent, according to data developed by Financial Research Corp. (FRC) and released today by the College Savings Foundation (CSF).

Assets supplied by members of the College Savings Foundation represented \$37.1 billion, or 38 percent, of the total \$98.6 billion in the second quarter and as such can serve as a bellwether for the Section 529 college savings plan market.

"529 assets are regaining ground and reinforcing families' decisions to stay committed to their 529 college savings plans and their long-term college savings goals," said Kevin McMullen, chairman of CSF, a leading nonprofit helping American families to save for their children's college education.

Section 529 college savings plans allow savings to grow federal tax free if redeemed for qualified higher education expenses. Because they are flexible in enabling students to fund a variety of higher education expenses— from traditional four-year universities to qualified trade and technical schools – they can be adapted to further a person's specific goals.

New investments in 529s, or "gross sales" for CSF reporting members, dipped nine percent to \$1.148 billion in the second quarter 2009 from the first quarter. Gross sales were down by 34 percent from the second quarter of 2008, a period that had grossed \$1.7 billion.

However net sales – or new investments minus redemptions – pointed to a general trend upwards with 529 assets growing and families taking fewer assets out. Net sales posted a 9 percent increase, to \$531 million among reporting CSF members, up from \$487 million in the first quarter. The year-over-year net sales show a 47 percent drop from \$997 million in the second quarter of 2008.

"We have been through a year of great change for investors. Yet we know from our annual surveys that parents who save through 529s and automatic savings plans are more successful savers," McMullen said. "We hope this encourages parents to save consistently over time."

The organization's annual 2009 *State of College Savings*, a survey of nearly 800 parents across the country, found that 61 percent of parents using 529s had saved at least \$5,000 per child, versus only 22 percent without one. 63% of parents using automatic savings plans had saved more than \$5,000 per child, as compared to 22% without one.

As a whole, 529 plan investors continued their participation in automatic savings accounts in the 2Q 2009, according to FRC data on the gross sales of the overall 529 market. After dipping to 31 percent in the 4Q 2008, automatic funding bounced back to 38 percent in the 1Q 2009 and has remained there in the second quarter.

“529s,” as they are called, are intended to support families in meeting the relentlessly rising expenses of a college education. The average annual tuition costs of attending a 4-year public and a 4-year private college or university in 2008-2009 have increased over those of a year earlier. Including room, board and expenses, the total costs for a 4-year public college are up 5.7 percent to \$14,333; and for a 4-year private college up 5.6 percent to \$34,132, according to The College Board. Assuming such costs increase by 5% a year, the projected cost of college in 15 years will be more than \$100,000 for a 4-year public college and more than \$200,000 for a 4-year private college.

Highlights from CSF’s 2Q 2009 report on asset types in Section 529 college savings plan, as of June 30, 2009, follow:

Assets and Sales by Portfolio Type

Age-based portfolios represented both the majority of assets and net sales during the second quarter of 2009. They had \$24.4 billion, or 65.8 percent of the \$37 billion in assets under management for reporting CSF member firms, up from \$22.3 billion in the first quarter. These portfolios rebalance the assets by asset class as they age, becoming more conservatively invested as the investor gets closer to the time for redeeming the shares. They represented 73.6 percent of CSF member 2Q net sales, a significant increase from 1Q09, when they represented 62 percent of CSF member net sales.

Portfolio Type	2Q09 AUM	% AUM	2Q09 Net Sales	% Net Sales	Sales/Asset Ratio	3-Mo Asset Change
Age-Based Portfolio	\$24,405.0	65.8%	\$390.9	73.6%	1.6%	9.4%
Individual Fund	\$2,775.2	7.5%	\$36.9	6.9%	1.3%	11.5%
Static Portfolio	\$9,895.8	26.7%	\$103.1	19.4%	1.0%	13.1%
<i>Grand Total</i>	<i>\$37,076.1</i>	<i>100.0%</i>	<i>\$530.8</i>	<i>100%</i>	<i>1.4%</i>	<i>10.5%</i>

\$ in millions

Static, or fixed, portfolios accounted for \$9.9 billion or 26.7 percent of the total assets of reporting CSF members. Individual funds assets were \$2.8 billion, or 7.5 percent, little changed in percentages from the first quarter.

Assets and Sales by Sales Class Structure (Load and No-Load)

No-load portfolios exceeded load portfolios in terms of both assets and sales during 2Q 2009, with \$19.4-billion in assets, or 52.3 percent of reporting CSF members, and 55 percent of net sales. Load portfolios accounted for \$17.7-billion in assets, or 47.7 percent of assets, and 45 percent of net sales. However, load portfolio assets grew 12.8 percent quarter over quarter, versus 8.6 percent among no loads.

“The 529 market offers an array of choices for the consumer – whether through financial advisors or direct channel, to meet the particular needs of each customer,” said McMullen.

Load Type	2Q09 AUM	% AUM	2Q09 Net Sales	% Net Sales	Sales/Asset Ratio	3-Mo Asset Change
Load Portfolios	\$17,695.3	47.7%	\$238.2	44.9%	1.3%	12.8%
No Load	\$19,380.8	52.3%	\$292.6	55.1%	1.5%	8.6%
Grand Total	\$37,076.1	100%	\$530.8	100%	1.4%	10.5%

\$ in millions

Assets and Sales by Sales Class Structure (Load Shares Only):

Although front-end load funds (A shares) continued to represent the largest share of assets under management among reporting CSF members, at 42 percent or \$7.5 billion, and the largest share of net sales at \$133.3 million or 56 percent of the total, level loads (C shares) saw a noteworthy increase in assets and net sales for the quarter.

Level loads, or those that spread the loads out over time, rose in assets from \$5.5 to \$6.6 billion from the first to second quarter, and from 34 percent to 37 percent of the total CSF reporting load assets. They increased in net sales from \$65.7 million in 1Q09 to \$104.9 million in 2Q09, and from 33 percent to 44 percent of the total

Broker-Sold Shares	2Q09 AUM	% AUM	2Q09 Net Sales	% Net Sales	Sales/Asset Ratio	3-Mo Asset Change
Back-End Load	\$3,686.1	20.8%	\$0.0	0.0%	0.0%	10.6%
Front-End Load	\$7,450.5	42.1%	\$133.3	56.0%	1.8%	7.9%
Level Load	\$6,558.7	37.1%	\$104.9	44.0%	1.6%	20.3%
Grand Total	\$17,695.3	100%	\$238.2	100%	1.3%	12.8%

\$ in millions

While the usage of A-shares over C-shares is typically more beneficial to clients over a long-term planning horizon, a cost-sensitive environment may be inclining clients to choose level loads. Additionally, clients may be opting for a level-load share class to maintain flexibility.

Assets and Sales by Equity/Fixed-Income Allocation

Fixed Income Allocation	2Q09 AUM	% AUM	2Q09 Net Sales	% Net Sales	Sales/Asset Ratio	3-Mo Asset Change
<=20% Equity	\$3,917.3	13.5%	\$10.0	1.9%	0.3%	1.2%
21%-40% Equity	\$4,324.2	14.9%	\$50.7	9.6%	1.2%	6.0%
41%-60% Equity	\$5,748.4	19.8%	\$93.2	17.7%	1.6%	10.7%
61%-80% Equity	\$6,619.6	22.8%	\$145.2	27.5%	2.2%	18.3%
81%-100% Equity	\$8,450.5	29.1%	\$228.7	43.3%	2.7%	8.6%
<i>Total</i>	<i>\$29,060.0</i>	<i>100%</i>	<i>\$527.8</i>	<i>100%</i>	<i>1.8%</i>	<i>9.6%</i>

\$ in millions

Equity-dominated portfolios – or those with 61 percent or more allocated to equities – accounted for just over 50% of the assets of CSF members who reported asset allocations. Equity dominant portfolios captured roughly 70 percent of net sales, or new inflows minus redemptions.

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