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**ASSETS IN 529 COLLEGE SAVINGS PLANS UP 38%,  
HITTING A RECORD \$75.1 BILLION AT END OF FIRST QUARTER 2006**

**College Savings Foundation Cites Growing Appetite among Americans for  
Tax-Advantaged College Savings Vehicles**

June 6, 2006 – Assets in 529 college savings plans rose to an estimated \$75.1-billion at the end of the first quarter of 2006, up 38% from \$54.5-billion in the same quarter one year ago, according to data developed by Financial Research Corp. (FRC) and released today by the College Savings Foundation (CSF). Estimated net sales during the first quarter were \$5.1-billion, the largest single quarter net sales total on record.

“This dramatic escalation in college savings plan assets illustrates the buoyant demand on the part of American families for tax-advantaged college savings vehicles,” said David Pearlman, Chairman of College Savings Foundation, the leading not-for-profit dedicated to enabling American families to achieve their education savings goals by working to support education savings programs.

With a strong representation of a cross section of firms in the college savings industry, CSF provides quarterly data to track trends in the families’ college savings and investing habits. CSF is able to offer a detailed analysis of \$27.3-billion, or 35%, of total Section 529 plan assets.

“Competition among plan providers for expiring contracts with the states is greater than ever. In many cases 529s are providing a broader investment selection and lower fees, making the programs more attractive. As a result, the ultimate winners are the investors,” said Brian Boswell, Research Analyst at FRC.

Section 529 college savings plans, which are offered on a state-by-state basis, give federal income tax-free treatment to earnings and distributions made from plan accounts used for qualified higher education expenses.

## CSF Quarterly Data/2

“529s” as they are called, are intended to support families in meeting the relentlessly rising expenses: The average annual total cost of attending a 4-year public and a 4-year private college or university in 2005-2006 has increased 6.6% (to \$12,127) and 5.7% (to \$29,026), respectively<sup>1</sup> 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 first quarter 2006 report on asset types in Section 529 college savings plan, as of March 31, 2006:

- **The fastest-growing category of portfolios** was the “Static” portfolio, which features permanent underlying investments, such as a target-risk or a specific asset-class portfolio. (Exhibit 1)
  - Static portfolios ballooned 47.9% over the same period last year, and represent 25.6% of the total \$27.3-billion under management analyzed.
  - Age-Based portfolios also grew at 36.2% compared to the first quarter 2005. These are funds of funds where the asset mix becomes more conservative as the beneficiary reaches college age. They command the lion’s share of assets, however, with 68.3% of the total.
  - Meanwhile individual funds remained the slowest growing portfolio type at 5.7%. They represent just 6.1% of assets.

“This trend is unlikely to change in the near future due to the annual limitation of rebalancing within 529s, making Age-Based and Static portfolios the more logical and therefore popular option,” said Boswell.

- **Load portfolios account for the bulk of assets, or 62.4%** of the total \$27.3-billion, and of sales, with 60% of net sales in load portfolios. (Exhibit 2)

“We believe that this points up the complexity that many people face in selecting 529 plans,” Pearlman said. “People seek advice and guidance to help them understand a variety of features and benefits the plans can offer.”

- **Portfolios with heavier equity allocation dominate Assets Under Management (AUM) and Net Sales** in 1Q06 for CSF members. (Exhibit 4).
  - 100% equity allocations accounted for both the largest percentage of assets at the end of the quarter, with \$5.1B accounting for 23.6% of AUM, and \$259.1 millions in sales, or 27.0% of overall sales.
  - In contrast, 100% fixed-income portfolios accounted for only 2.9% of AUM, up from 1.7% over 4Q05, and yet accounted for 0.4% of sales.

“This points to the relatively aggressive nature of investors and reflects their sense of urgency in seeking growth over predictability in their returns,” Pearlman added.

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<sup>1</sup> The College Board, Trends in College Pricing, at 5 (2005).

The attached charts provide greater detail.

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](http://www.collegesavingsfoundation.org)

### **Assets and Sales by Portfolio Type – Exhibit 1:**

Exhibit 1:

Portfolio Type	1Q06		1Q06	% Net	Sales/Asset	3-Mo Asset	12-Mo Asset
	AUM	% AUM	Net Sales	Sales	Ratio	Change	Change
Age-Based Portfolio	\$18,614.7	68.3%	\$817.8	72.5%	4.4%	9.3%	36.2%
Individual Fund	\$1,673.1	6.1%	\$64.4	5.7%	3.8%	5.7%	33.3%
Static Portfolio	\$6,980.9	25.6%	\$245.5	21.8%	3.5%	10.5%	47.9%
<i>Grand Total</i>	<i>\$27,268.7</i>	<i>100.0%</i>	<i>\$1,127.7</i>	<i>100%</i>	<i>4.1%</i>	<i>9.4%</i>	<i>38.6%</i>

*\$ in millions*

### **Assets and Sales by Sales Class Structure (Load and No-Load) – Exhibit 2:**

Exhibit 2:

Load Structure	1Q06		1Q06	% Net	Sales/Asset	3-Mo Asset	12-Mo Asset
	AUM	% AUM	Net Sales	Sales	Ratio	Change	Change
Load Portfolios	\$17,006.6	62.4%	\$676.8	60.0%	4.0%	10.5%	40.5%
No Load	\$10,262.1	37.6%	\$450.9	40.0%	4.4%	8.1%	35.7%
<i>Total</i>	<i>\$27,268.7</i>	<i>100%</i>	<i>\$1,127.7</i>	<i>100%</i>	<i>4.1%</i>	<i>9.4%</i>	<i>38.6%</i>

*\$ in millions*

### **Assets and Sales by Sales Class Structure (Load Shares Only) – Exhibit 3:**

Exhibit 3:

Broker-Sold Shares	1Q06		1Q06	% Net	Sales/Asset	3-Mo Asset	12-Mo Asset
	AUM	% AUM	Net Sales	Sales	Ratio	Change	Change
Back-End Load	\$4,028.3	23.7%	\$97.6	14.4%	2.4%	9.4%	33.8%
Front-End Load	\$6,181.6	36.3%	\$329.6	48.7%	5.3%	10.8%	58.3%
Level Load	\$6,796.7	40.0%	\$249.5	36.9%	3.7%	10.0%	32.2%
<i>Total</i>	<i>\$17,006.6</i>	<i>100%</i>	<i>\$676.8</i>	<i>100%</i>	<i>4.0%</i>	<i>9.4%</i>	<i>38.6%</i>

*\$ in millions*

### **Assets and Sales by Equity/Fixed Income Allocation– Exhibit 4:**

Exhibit 4:

<b>Equity/Fixed Inc Asset Mix</b>	<b>1Q06</b>		<b>1Q06</b>	
	<b>AUM</b>	<b>% of Total</b>	<b>Net Sales</b>	<b>% of Total</b>
0/100	\$630.6	2.9%	\$4.0	0.4%
10/90	\$130.7	0.6%	-\$0.1	0.0%
20/80	\$671.9	3.1%	-\$5.4	-0.6%
30/70	\$549.1	2.5%	\$12.2	1.3%
40/60	\$1,432.2	6.6%	\$42.4	4.4%
50/50	\$1,865.4	8.6%	\$65.9	6.9%
60/40	\$3,334.6	15.4%	\$125.0	13.0%
70/30	\$1,523.8	7.1%	\$83.8	8.7%
80/20	\$3,825.5	17.7%	\$196.8	20.5%
90/10	\$2,539.8	11.8%	\$177.1	18.4%
100/0	\$5,087.2	23.6%	\$259.1	27.0%
<b>Total</b>	<b>\$21,590.8</b>	<b>100.0%</b>	<b>\$960.8</b>	<b>100.0%</b>
<i>Unreported</i>	\$5,677.9	<i>N/A</i>	\$166.9	<i>N/A</i>
<i>Grand Total</i>	<i>\$27,268.7</i>	<i>N/A</i>	<i>\$1,127.7</i>	<i>N/A</i>

*\$ in millions*