

Contact:

For the College Savings Foundation
Lynthia Romney, RomneyCom L.L.C.
(914) 238-2145
romneycom@aol.com

**ASSETS IN 529 COLLEGE SAVINGS PLANS REACH RECORD OF
NEARLY \$105-BILLION IN 2Q 2007**

Washington, DC., August 17— Assets in 529 college savings plans rose to an estimated \$104.9 billion at the end of the second quarter of 2007, up 8.3% from an estimated \$96.8 billion at the end of the first quarter of 2007, and up nearly 35.6% from the \$77.3 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).

“Momentum is building as American families continue to increase their use of 529 college savings plans to save for their children’s education. This growth in assets is a resounding validation of Congressional action in the Pension Protection Act of 2006 a year ago this month that made permanent the Federal tax benefits of 529 plans,” said David Pearlman, Chairman of College Savings Foundation (CSF), the leading not-for-profit dedicated to enabling American families to achieve their education savings goals.

Representing a cross-section of firms in the college savings industry, CSF provides quarterly data to track trends in families’ college savings and investing habits. CSF is able to offer a detailed analysis of \$35.78 billion, or 34.1%, of total Section 529 plan assets.

Gross and net sales were the highest second quarter ever for CSF assets at \$1.335 billion and \$915 million respectively. Although gross sales declined from the all time high quarter reached in 1Q 2007 at \$1.66 billion, they showed a year over year increase of 55% increase from 2Q 2006 of \$863.8 million. Net sales (gross sales minus redemptions) were \$914.8 million, down from \$1.165-billion in 1Q 2007 but 27% ahead of net sales of \$720.9 in 2Q 2006.

“The second quarter each year always has lower sales than other quarters. It is encouraging to see sales in the second quarter of 2007 approach levels usually seen only in the fourth quarter,” Pearlman added.

At the same time, year-over-year data show a trend towards more redemptions. The ratio of net sales to gross sales has actually declined from 83.5% in 2Q 2006 to 68.5% in 2Q 2007, as more accounts mature and are used to pay for higher education expenses. Section 529 plans are a relatively new product, having become viable in 2001 when withdrawals become tax-free rather than taxable at the student's rate. However, the marketplace is maturing rapidly. “These past few years have been mostly contributions to 529 plans,” said Brian Boswell, Research Analyst at FRC, “As the product matures, you are likely to see an increase in redemptions as the accounts are actually used to pay for college expenses.”

Exhibit 1:

529 Sales			
(\$Millions)	Gross Sales	Net Sales	% Net
1Q03	\$ 738.0	\$ 659.7	89.4%
2Q03	\$ 705.2	\$ 623.6	88.4%
3Q03	\$ 779.9	\$ 606.4	77.8%
4Q03	\$ 709.2	\$ 604.6	85.3%
1Q04	\$ 1,134.9	\$ 975.9	86.0%
2Q04	\$ 730.1	\$ 605.1	82.9%
3Q04	\$ 744.4	\$ 510.1	68.5%
4Q04	\$ 915.9	\$ 694.3	75.8%
1Q05	\$ 1,010.2	\$ 819.5	81.1%
2Q05	\$ 819.1	\$ 601.6	73.4%
3Q05	\$ 783.2	\$ 442.4	56.5%
4Q05	\$ 986.2	\$ 719.9	73.0%
1Q06	\$ 1,092.5	\$ 819.1	75.0%
2Q06	\$ 863.8	\$ 720.9	83.5%
3Q06	\$ 766.5	\$ 317.4	41.4%
4Q06	\$ 1,455.4	\$ 935.2	64.3%
1Q07	\$ 1,663.4	\$ 1,164.6	70.0%
2Q07	\$ 1,334.9	\$ 914.8	68.5%

\$ in millions

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

“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 2006-2007 have increased 6.3% and 5.9% respectively from a year earlier. Including room, board and expenses, the total costs are now \$12,796 per year for a 4-year public college and \$30,367 for a 4-year private college, according to The College Board.¹ 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 2007 report on asset types in Section 529 college savings plan, as of June 30, 2007, follow:

¹ The College Board, (2006).

Assets and Sales by Portfolio Type

- **Age-based portfolios** continue to represent the lion's share of reported assets under management, with \$22.96 billion, or 64.2%, of the 2Q 2007 total assets of \$35.8 billion. Static, or fixed, portfolios accounted for \$10.5 billion, or 29.4%. Individual funds made up the remainder.

Age-based 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.

Age-based portfolios accounted for 70.7% of net sales, which reflects the historical average. "They had reached as high as 82.2% in 3Q06, potentially as a reaction to the passage of the Pension Protection Act.," Boswell said. Static portfolios accounted for 21.0% of 2Q 2007 net sales, also closer to historical levels. "For many investors, age-based portfolios make the most sense intuitively in an account that restricts reallocation of investments to an annual basis. The less-popular static portfolios also make sense as a balanced option, but are still limited in that they do not adjust automatically," he added.

Exhibit 2:

Portfolio Type	2Q07 AUM	% AUM	2Q07 Net Sales	% Net Sales	Sales/Asset Ratio	3-Mo Asset Change	12-Mo Asset Change
Age-Based Portfolio	\$22,965.5	64.2%	\$646.3	70.7%	2.8%	1.3%	28.9%
Individual Fund	\$2,302.5	6.4%	\$76.6	8.4%	3.3%	9.5%	41.0%
Static Portfolio	\$10,512.7	29.4%	\$191.9	21.0%	1.8%	22.7%	60.9%
<i>Grand Total</i>	<i>\$35,780.6</i>	<i>100.0%</i>	<i>\$914.8</i>	<i>100%</i>	<i>2.6%</i>	<i>7.3%</i>	<i>37.5%</i>

\$ in millions

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

- Load portfolios remain ahead of no-loads, with load assets at \$18.3 million or 51.3% of total, as compared to no-load portfolios assets of \$17.4 billion, or 48.7% of the total. Although no-load assets rose 7.0% for the quarter, that growth rate has leveled off from the 12.7% increase seen in the previous quarter over quarter comparison.
- Load portfolio net sales were \$516.9 million or 56.5%, ahead of no-load net sales of \$397.9, or 43.5% of the total net sales.

"The Pension Protection Act afforded no-load 529 plans increased coverage, resulting in above-average sales during 2006 and into 1Q 2007. The decline in their growth rate and their percentage of net sales during 2Q 2007 may be the first sign that – once the spotlight moves on – load portfolios will again account for the bulk of net sales. This makes sense given the role of advisors as financial educators, and the complexity of the 529 product," said Boswell.

Exhibit 3:

Load Structure	2Q07 AUM	% AUM	2Q07 Net Sales	% Net Sales	Sales/Asset Ratio	3-Mo Asset Change	12-Mo Asset Change
Load Portfolios	\$18,371.6	51.3%	\$516.9	56.5%	2.8%	15.7%	39.2%
No Load	\$17,409.0	48.7%	\$397.9	43.5%	2.3%	7.0%	43.1%
<i>Total</i>	<i>\$35,780.6</i>	<i>100%</i>	<i>\$914.8</i>	<i>100%</i>	<i>2.6%</i>	<i>7.3%</i>	<i>37.5%</i>

\$ in millions

- Level load share assets declined from the average of approximately 40% of assets they have enjoyed as compared to front-end and back-end loads over the past year, falling to 34.5%, or \$6.33 billion, in 2Q 2007. Front-end load portfolios took share away from level load classes, rising from 36.5% to account for 40% of assets, or \$7.35 billion, in the most recent period.

Back-end load share classes also garnered additional share at the expense of level load classes, rising slightly from 23.9% in the first quarter to 25.5%, or \$4.68 billion. Front-end load shares had been outselling their level load peers for a number of quarters, making it only a matter of time before the portfolios accounted for a larger percentage of assets under management.

“For long term investments, advisors and investors are more comfortable with front-end shares,” said Boswell, “Their fee structures tend to make them less expensive over longer investment time horizons.”

- In terms of net sales, level load shares outsold both front- and back-end load shares in 1Q 2007 and 2Q 2007. Net sales of Level-load shares accounted for \$248.5 million, or 48.1% of net sales, in the 2Q 2007. Front-loaded funds accounted for \$209.5 million, or 40.5%, in the 2Q 2007.

Exhibit 4:

Broker-Sold Shares	2Q07 AUM	% AUM	2Q07 Net Sales	% Net Sales	Sales/Asset Ratio	3-Mo Asset Change	12-Mo Asset Change
Back-End Load	\$4,682.5	25.5%	\$58.9	11.4%	1.3%	5.0%	22.2%
Front-End Load	\$7,354.9	40.0%	\$209.5	40.5%	2.8%	8.3%	35.5%
Level Load	\$6,334.3	34.5%	\$248.5	48.1%	3.9%	8.5%	38.5%
<i>Total</i>	<i>\$18,371.6</i>	<i>100%</i>	<i>\$516.9</i>	<i>100%</i>	<i>2.8%</i>	<i>7.3%</i>	<i>37.5%</i>

\$ in millions

Assets and Sales by Equity/Fixed Income Allocation

- Portfolios with a heavier equity allocation continue to dominate assets under management and net sales in 2Q 2007. The 100% equity allocation portfolio type accrued the greatest share of assets, at \$5.97 billion, or 23.1%. In terms of net sales, this category came in second to portfolios with 80% equity and 20% fixed income, which had \$144.7 million, or 22%, in net sales.

“This reflects the logical use of 529 college savings plans: assets flow into the high-equity portfolios when children are young, to position them for aggressive growth over time, while redemptions are coming out of more conservatively allocated portfolios that investors use as their children reach college age,” Pearlman said.

Exhibit 5:

Equity/Fixed Inc Asset Mix	2Q07 AUM	% of Total	2Q07 Net Sales	% of Total
0/100	\$967.4	3.7%	\$20.1	3.1%
10/90	\$81.6	0.3%	\$5.9	0.9%
20/80	\$815.8	3.2%	\$2.2	0.3%
30/70	\$768.6	3.0%	\$17.1	2.6%
40/60	\$1,284.0	5.0%	\$20.3	3.1%
50/50	\$2,101.9	8.1%	\$37.5	5.7%
60/40	\$3,482.0	13.5%	\$76.3	11.6%
70/30	\$2,196.8	8.5%	\$64.2	9.8%
80/20	\$5,333.1	20.7%	\$144.7	22.0%
90/10	\$2,814.2	10.9%	\$125.2	19.1%
100/0	\$5,974.2	23.1%	\$143.3	21.8%
Total	\$25,819.6	100.0%	\$656.7	100.0%
<i>Unreported</i>	\$9,961.0	<i>N/A</i>	\$258.1	<i>N/A</i>
<i>Grand Total</i>	<i>\$35,780.6</i>	<i>N/A</i>	<i>\$914.8</i>	<i>N/A</i>

\$ in millions

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