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529 ASSETS SHOW RESILIENCY IN 3Q 2008

Washington, DC., November 25— Assets in 529 college savings plans fell in the third quarter to an estimated \$101.7 billion, down 8 percent from \$110.6 billion at the end of the second quarter of 2008, and down 7 percent from the \$109.5 billion achieved at the end of the third quarter of 2007, according to data developed by Financial Research Corp. (FRC) and released today by the College Savings Foundation (CSF).

These numbers compare favorably to the long term mutual fund market which dropped 12.7 percent, FRC reported. The assets supplied by CSF members represented \$38 billion, or 37 percent, of the \$101.7 billion in the third quarter and as such can serve as a bellwether for the Section 529 college savings plan market.

“It is especially crucial for families to continue to save during times of uncertainty,” said Kevin McMullen, chairman of the College Savings Foundation, the leading nonprofit helping American families to save for their children’s college education. “Saving is one way that families can control their financial future, rather than relying too heavily on the availability of student loans and financing.”

The CSF survey of 800 parents, “The State of College Savings,” found that 63 percent of parents expect their children to take some loans for college; and 70 percent expected them to be paying back loans at least five years after graduation.

Gross sales for CSF members were \$1.356 billion in the third quarter, down nearly six percent from the third quarter of 2007, but off 19 percent from the \$1.681 billion reached in the second quarter of 2008. 2008 year-to-date gross sales as of the third quarter were \$5.107 billion, still slightly higher than the first three quarters of 2007, which saw gross sales of \$4.934 billion.

CSF’s members’ net sales, or gross sales minus redemptions, were \$205 million. While this represents the lowest quarterly net sales volume in five years, it compares very favorably to the 529 industry as a whole, which experienced net outflows of \$3.154 billion according to FRC estimates. Net sales for the membership were from \$962 million in the second quarter of 2008.

“In any market, the third quarter is a time of lower net sales because that is when the college bills come due and parents access the 529 plans for that purpose,” McMullen explained.

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 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 3Q 2008 report on asset types in Section 529 college savings plan, as of September 30, 2008, follow:

Assets and Sales by Portfolio Type

Age-based portfolios continue to represent the majority of reported assets under management, with \$24.6 billion, or 64.6 percent of the \$38 billion in assets under management for CSF member firms, down from 67.2 percent at the end of the second quarter. Static, or fixed, portfolios accounted for \$10.9 billion or 28.7 percent of the total, up from 26.5 percent in 2Q. Individual funds assets are the lowest at \$2.5 billion, or 6.6 percent, from 6.3 percent in the last quarter.

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.

Exhibit 1:

Portfolio Type	3Q08 AUM	% AUM	3Q08 Net Sales	% Net Sales	Sales/Asset Ratio	3-Mo Asset Change	12-Mo Asset Change
Age-Based Portfolio	\$24,579.7	64.6%	\$218.3	106.3%	0.9%	-18.0%	-11.4%
Individual Fund	\$2,525.2	6.6%	-\$4.3	-2.1%	-0.2%	-11.4%	-23.6%
Static Portfolio	\$10,917.2	28.7%	-\$8.7	-4.2%	-0.1%	-12.1%	-10.1%
<i>Grand Total</i>	<i>\$38,022.1</i>	<i>100.0%</i>	<i>\$205.4</i>	<i>100%</i>	<i>0.5%</i>	<i>-16.0%</i>	<i>-12.0%</i>

\$ in millions

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

In terms of assets, no-load portfolios retained assets better in the third quarter than did load portfolios. Loads accounted for \$17.8 billion in assets, down 23.4 percent in the third quarter. In contrast, no loads with \$20.2 billion in assets were off 8.1 percent over the last quarter.

In terms of net sales, however, the load/no load percent stayed at its 58/42 split between load and no load portfolios. While sales driven by advisors into no-load portfolios, such as fee-based advisors, cannot be tracked exhaustively, FRC Research Analyst Bridget Bearden said, “We have seen evidence, both quantitative and anecdotal, that fee-based advice is growing substantially, and likely accounts for some portion of the growth in no load share sales and assets.”

Exhibit 2:

Load Type	3Q08 AUM	% AUM	3Q08 Net Sales	% Net Sales	Sales/Asset Ratio	3-Mo Asset Change	12-Mo Asset Change
Load Portfolios	\$17,843.4	46.9%	\$119.5	58.2%	0.7%	-23.4%	-17.6%
No Load	\$20,178.7	53.1%	\$85.9	41.8%	0.4%	-8.1%	-6.4%
<i>Total</i>	<i>\$38,022.1</i>	<i>100%</i>	<i>\$205.4</i>	<i>100%</i>	<i>0.5%</i>	<i>-16.0%</i>	<i>-12.0%</i>

\$ in millions

Back-end load shares lost approximately 2 percent of market share in the third quarter, decreasing from 22 percent of load share classes in 2Q08 to 19.9 percent as of 3Q08. Front-end and level-load share classes as a percent of total load share class assets grew incrementally over the quarter. In regards to sales, the B-share class (back-end load) was the only share class to experience net outflows during the quarter. A-shares, or front-end load shares, netted \$102 million during the quarter, or 85% of net sales.

Exhibit 3:

Broker-Sold Shares	3Q08 AUM	% AUM	3Q08 Net Sales	% Net Sales	Sales/Asset Ratio	3-Mo Asset Change	12-Mo Asset Change
Back-End Load	\$3,558.2	19.9%	-\$20.0	-16.7%	-0.6%	-30.9%	-29.2%
Front-End Load	\$8,159.3	45.7%	\$102.0	85.4%	1.3%	-21.8%	-12.8%
Level Load	\$6,125.9	34.3%	\$37.4	31.3%	0.6%	-20.5%	-15.7%
<i>Total</i>	<i>\$17,843.4</i>	<i>100%</i>	<i>\$119.5</i>	<i>100%</i>	<i>0.7%</i>	<i>-23.4%</i>	<i>-17.6%</i>

\$ in millions

Assets and Sales by Equity/Fixed Income Allocation

The majority (65.5 percent) of age-based assets reside in equity dominated portfolios, those with equity/fixed income weightings of 60/40 or higher. Equity-dominated age-based portfolios garnered \$323.4 million in net sales during the quarter. Assets and sales by asset mix indicate that many beneficiaries are young enough for portfolios to appreciate significantly, even though advisors and investors alike are wary of market volatility.

Fixed-income dominated portfolios, those with equity/fixed-income weighting of 40/60 or lower, represented approximately 30 percent of assets at the end of the third quarter. These conservative portfolios experienced \$119.4 million in net redemptions. Third quarter net sales traditionally are the lowest of the year, as portfolios with college-age beneficiaries are redeemed to pay for college expenses.

Exhibit 4:

Equity/Fixed Inc Asset Mix	3Q08 AUM	% of Total	3Q08 Net Sales	% of Total	3-Mo Asset Change
0/100	\$1,763.3	5.5%	-\$40.0	-15.3%	3.9%
10/90	\$273.9	0.9%	\$0.9	0.4%	-0.3%
20/80	\$2,949.0	9.3%	-\$139.5	-56.4%	-6.4%
30/70	\$2,172.2	6.9%	\$15.6	6.6%	-4.0%

40/60	\$2,468.6	7.7%	\$43.7	19.1%	-5.3%
50/50	\$1,307.8	4.2%	\$12.4	5.2%	-11.3%
60/40	\$4,798.8	15.1%	\$76.7	33.4%	-7.9%
70/30	\$2,836.8	9.0%	\$52.8	22.2%	-12.0%
80/20	\$3,706.5	11.4%	\$73.0	32.2%	-11.7%
90/10	\$1,944.3	5.9%	\$56.0	25.4%	-10.4%
100/0	\$7,564.5	24.1%	\$64.9	27.3%	-13.6%
Total	\$31,785.8	100.0%	\$216.4	100.0%	-9.3%
<i>Unreported</i>	\$6,236.4	<i>N/A</i>	-\$11.0	<i>N/A</i>	-39.0%
<i>Grand Total</i>	<i>\$38,022.1</i>	<i>N/A</i>	<i>\$205.4</i>	<i>N/A</i>	<i>-16.0%</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