

**Contact:**

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

**529 ASSETS DECLINE IN 4Q 2008**

Washington, DC., March 2– Assets in 529 college savings plans fell in the fourth quarter to an estimated \$88.5 billion, down 13 percent from \$101.7 billion at the end of the third quarter of 2008, and down 21 percent from the \$111.9 billion at the end of the fourth quarter of 2007, according to data developed by Financial Research Corp. (FRC) and released today by the College Savings Foundation (CSF).

The assets supplied by CSF members represented \$34 billion, or 39 percent, of the \$88.5 billion in the fourth quarter and as such can serve as a bellwether for the Section 529 college savings plan market.

Gross sales, or the dollars that were invested in 529 accounts, fell 10 percent in the fourth quarter among CSF members. However, those 529 accounts saw fewer redemptions, or withdrawals, in the fourth quarter than the third quarter of 2008, and also fewer than in the fourth quarter of 2007.

“We understand that people are grappling with how best to save for their futures right now; but we also know that education is the gateway to long term prosperity,” said Kevin McMullen, chairman of the College Savings Foundation, the 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 a qualified higher education expenses. Because they are flexible in enabling students to fund a variety of higher education – from traditional four-year universities to qualified trade and technical schools – they can be adapted to further a person’s specific goals.

By offering a dedicated savings plan for higher education, 529s provide a consistent strategy to help families save. CSF’s annual *State of College Savings*, a survey of 800 parents across the country, found that by parents using 529s and tools like automatic savings plans achieved much greater success in savings than those with out them.

To better protect against financial market risks, many plans offer age based portfolios, or 529 plans whose investments shift into more conservative vehicles as the beneficiary gets closer to college age. Age-based portfolios represent two-thirds of the CSF members’ assets under management.

“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 4Q 2008 report on asset types in Section 529 college savings plan, as of December 31, 2008, follow:

Gross sales were \$1.27 billion in the fourth quarter, down 10 percent from \$1.36 billion in the third quarter, and off 52 percent from the fourth quarter of 2007 at \$2.5 billion. Traditionally the fourth quarter is a time when more funds are moved into 529s as a year end tax strategy, however, the uncertain securities markets appear to have dampened that movement. Because redemptions fell in the 4Q2008, net sales (or overall sales minus redemptions) in the fourth quarter from \$185 million to \$478 million.

### **Assets and Sales by Portfolio Type**

Age-based portfolios continue to represent the majority of reported assets under management, with \$22.7 billion, or 66.7 percent of the \$34 billion in assets under management for CSF member firms, up from 64.6 percent at the end of the third quarter. Static, or fixed, portfolios accounted for \$9 billion or 26.4 percent of the total, down from 28.7 percent in 3Q2008. Individual funds assets are the lowest at \$2.4 billion, or 6.9 percent, from 6.6 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.

Portfolio Type	4Q08 AUM	% AUM	4Q08 Net Sales	% Net Sales	Sales/Asset Ratio	3-Mo Asset Change	12-Mo Asset Change
Age-Based Portfolio	\$22,747.7	66.7%	\$344.3	57.7%	1.5%	-16.7%	-32.0%
Individual Fund	\$2,355.2	6.9%	\$85.9	14.4%	3.6%	-6.7%	-32.0%
Static Portfolio	\$9,007.4	26.4%	\$166.5	27.9%	1.8%	-17.5%	-30.9%
<i>Grand Total</i>	<i>\$34,110.3</i>	<i>100.0%</i>	<i>\$596.7</i>	<i>100%</i>	<i>1.7%</i>	<i>-16.3%</i>	<i>-31.7%</i>

*\$ in millions*

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

In terms of assets, no-load portfolios surpassed loads in terms of assets and net sales in the fourth quarter. No-loads at \$17.67 billion in assets, represented 52 percent of the total in 4Q2008, and 57 percent in net sales. Load portfolios at \$16.44 billion in assets, represented 28 percent of the total assets and 43 percent of net sales.

In terms of net sales, however, the no loads/load contrast reversed itself from last quarter. In 3Q2008, loads were 58 percent of net sales, while no loads were 42 percent. In the 4Q2008, loads were 43 percent of net sales and no loads were 57 percent.

On year ago, loads and no-loads were even in assets, and very close in net sales (49 and 51 percent respectively). At the end of 2008, loads were 48 percent of reporting CSF assets at \$16.4 billion, versus 52 percent in no-loads at \$17.7 billion.

Load Type	4Q08 AUM	% AUM	4Q08 Net Sales	% Net Sales	Sales/Asset Ratio	3-Mo Asset Change	12-Mo Asset Change
Load Portfolios	\$16,440.0	48.2%	\$255.6	42.8%	1.6%	-19.6%	-40.2%
No Load	\$17,670.3	51.8%	\$341.1	57.2%	1.9%	-13.0%	-21.3%
<i>Total</i>	<i>\$34,110.3</i>	<i>100%</i>	<i>\$596.7</i>	<i>100%</i>	<i>1.7%</i>	<i>-16.3%</i>	<i>-31.7%</i>

*\$ in millions*

Among broker sold shares, front-end loads made up 43.5 percent of broker-sold share assets, with \$7.2 billion, in the fourth quarter. Level loads at \$5.7 billion were 34.8 percent of the total in the 4Q and back-end load shares were 21.7 percent of the total reporting CSF members at \$3.6 billion. As in the third quarter, back-end loads experienced net outflows in the third quarter.

Broker-Sold Shares	4Q08 AUM	% AUM	4Q08 Net Sales	% Net Sales	Sales/Asset Ratio	3-Mo Asset Change	12-Mo Asset Change
Back-End Load	\$3,573.8	21.7%	-\$15.2	-6.0%	-0.4%	-20.4%	-46.6%
Front-End Load	\$7,151.7	43.5%	\$133.6	52.3%	1.9%	-21.3%	-39.3%
Level Load	\$5,714.5	34.8%	\$137.2	53.7%	2.4%	-16.7%	-36.6%
<i>Total</i>	<i>\$16,440.0</i>	<i>100%</i>	<i>\$255.6</i>	<i>100%</i>	<i>1.6%</i>	<i>-19.6%</i>	<i>-40.2%</i>

*\$ in millions*

### **Assets and Sales by Equity/Fixed Income Allocation**

Equity dominated portfolios fell as a percentage of assets in the fourth quarter. Just under 60 percent were in those with equity/fixed income weightings of 60/40 or higher, versus 66 percent in 3Q2008. This indicates that firms are rebalancing their age progressive portfolios towards a slightly more conservative investment mix.

In terms of net sales, equity dominated portfolios represented 86 percent, with outflows occurring in some categories of fixed income- dominated portfolios, suggesting that more conservatively balanced portfolios are being redeemed to pay for college expenses. In the fourth quarter, 100-percent equity portfolios captured 38 percent of 4Q2008 net sales, up from 27 percent in the 3Q2008.

Equity/Fixed Inc Asset Mix	4Q08 AUM	% of Total	4Q08 Net Sales	% of Total	3-Mo Asset Change
0/100	\$1,985.1	7.5%	\$80.7	15.0%	12.6%
10/90	\$148.7	0.6%	\$1.5	0.3%	-45.7%
19/81	\$155.7	0.6%	\$110.2	20.5%	225.0%
20/80	\$2,549.9	9.6%	-\$93.2	-17.3%	-12.1%
30/70	\$1,832.0	6.9%	\$33.2	6.2%	-10.2%
35/65	\$0.0	0.0%	-\$123.6	-23.0%	-100.0%

38/62	\$337.1	1.3%	-\$7.6	-1.4%	-10.4%
40/60	\$2,151.7	8.1%	\$20.7	3.8%	-12.8%
50/50	\$1,006.7	3.8%	\$52.2	9.7%	-23.0%
59/41	\$337.6	1.3%	\$0.4	0.1%	-13.2%
60/40	\$3,677.2	13.9%	\$33.3	6.2%	-16.9%
70/30	\$2,334.9	8.8%	\$87.2	16.2%	-17.7%
80/20	\$2,149.9	8.1%	\$70.7	13.1%	-19.2%
82/18	\$575.4	2.2%	\$11.8	2.2%	-14.6%
84/16	\$272.4	1.0%	\$7.5	1.4%	-15.5%
85/15	\$267.5	1.0%	\$15.2	2.8%	-16.1%
90/10	\$1,185.5	4.5%	\$32.6	6.1%	-27.1%
100/0	\$5,528.3	20.9%	\$205.2	38.1%	-23.5%
<b>Total</b>	<b>\$26,495.6</b>	<b>100.0%</b>	<b>\$537.9</b>	<b>100.0%</b>	<b>-16.6%</b>
<i>Unreported</i>	\$7,614.7	<i>N/A</i>	\$58.8	<i>N/A</i>	-15.2%
<i>Grand Total</i>	<i>\$34,110.3</i>	<i>N/A</i>	<i>\$596.7</i>	<i>N/A</i>	<i>-16.3%</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](http://www.collegesavingsfoundation.org)