

Press Inquiries:

Lynthia Romney RomneyCom L.L.C. 914-238-2145 romneycom@aol.com

Parents Rely on 529 College Savings Plans More Than Ever***College Savings Foundation Data Show Increase in Contributions and Accounts, while parents predictably use 529s to pay for college***

November 22 – Washington, DC – Quarterly data from the College Savings Foundation show that 529 college savings plans are attracting more new contributions in the third quarter of 2011 than they had in the last three years, opened more new accounts than in the last quarter, and are demonstrating a greater annual momentum towards 529 investments in 2011 than they had in the previous three years.

While the level of 529 plan distributions increased in the third quarter, this is consistent with the purpose and use of 529 plan investments for which they were intended: to pay for college tuition and expenses. CSF experts say that the overwhelming majority of distributions are for “qualified” college expenses, or the tuition and expenses for which 529 investors can withdraw 529 funds without incurring Federal taxes on investment gains.

The growing need for distributions is clear as the number of students entering the nation’s colleges and universities this year are growing - projected at 19.7 million from 14.4 million 20 years ago and as the cloud of student debt threatens the future of U.S. graduates – now averaging \$22,900 per student upon graduation.

CSF data supports the conclusion that distributions in the 3Q2011 went to college costs: portfolios concentrating in fixed income securities, typically used to pay for college as the child reaches college age, experienced net distributions, or outflows, while the higher equity portfolios (61 – 100 percent equity), typically used when a child is young, actually saw net inflows of \$379 million for the quarter, for CSF reporting firms.

CSF’s quarterly 529 data report represents \$57.9 billion in 529 assets as of 3Q 2011, or approximately 43 percent of the 529 marketplace – and provides a deeper and more comprehensive look into the trends among parents and families investing in 529 college savings plans for their children’s education. This is part of a quarterly report using CSF members data and analyzed by the Financial Research Corporation (FRC).

The markets saw significant volatility and some of their worst performance in recent years in the third quarter, and overall as an industry assets in 529 Plan accounts reflected that downturn. 529 college savings plan assets were \$134.6 billion for the third quarter of 2011, off 10 percent from \$149.8 billion the prior quarter, but up 5.3 percent from \$127.8 billion one year ago, according to the Financial Research Corporation (FRC).

Yet CSF members saw a higher level of new third quarter contributions than in the last four years. They reported \$1.642 billion in new contributions to 529s during 3Q 2011, up 20.6 percent from the same period last year, when CSF members reported \$1.361 billion; and a 28.8 percent increase from 3Q 2009, when CSF members reported new contributions of \$1.275 billion.

As compared to the second quarter of 2011, new contributions were off 8.6 percent. However, in terms of longer-term momentum, new contributions have totaled \$7.713 billion in the most recent four quarters compared to \$6.851 billion in the prior four quarters.

In terms of net contributions – or new contributions minus distributions - CSF members posted net outflows of \$285 million in 3Q 2011. This in large part reflects the fact that investors continued to use 529 plans in the third quarter to pay for qualified educational expenses. On a year-over-year basis, 3Q 2011 data net outflows were greater than the \$112.5 million in 3Q 2010. As compared to the 2Q 2011, 3Q 2011 net sales reflected a change in direction from net inflows of \$1.012 billion.

Definitive Cycle of Increasing Investments

Taken together with the trend towards higher net contributions over the last three years, however, a defined cyclical pattern emerges. The first, second, and fourth quarters collectively reflect higher highs while the third quarters reflect a lowering level of flows.

Three four-quarter periods in a row showed improving net contributions. They totaled \$2.650 billion in the most recent four quarters, from 4Q 2010 to 3Q 2011, compared to \$2.618 billion from 4Q 2009 to 3Q 2010 and \$1.578 billion from 4Q 2008 to 3Q 2009.

New accounts opening

CSF reported that total accounts grew by approximately 3.9 percent in 3Q 2011, as compared to 2.6 percent in the second quarter. Advisor-sold plans reported a higher average at 5.3 percent (versus 2.8 percent in 2Q 2011), while direct-sold plans reported a lower average of 2.9 percent (versus 2.4 percent in 2Q 2011).

Age-based portfolios show outflows in fixed income

Age-Based Portfolios continued to dominate assets and new contributions in the third quarter. Age-Based Portfolios, which typically become more conservative as the beneficiary reaches college age, led investment options with 67.2 percent in assets and 65.7 percent in new contributions in 3Q 2011.

These portfolios revealed that the outflows were concentrated in portfolios with the most conservative investments, less than 20 percent equity, which are typically used for accounts whose beneficiaries are nearing college age. Those portfolios experienced net outflows for the eighth straight quarter. Equity-dominant portfolios, those with over 60 percent allocated to equities, were the only categories to gather net inflows and represented 56.5 percent of total 3Q 2011 new contributions.

The next bracket, with a 21 to 40 percent equity allocation also experienced net outflows, again consistent with expectations. Each additional band of equity exposure experienced decreasing levels of net outflows and accounts with more than 60% equity allocations saw net inflows of more than \$379 million.

Assets and Contributions of Equity Allocations by Category (\$M), 3Q11

Equity Allocation	3Q11 AUM	% AUM	3Q11 New Contributions	% New Contributions	3Q11 Net Contributions	Contributions /Asset Ratio
<=20% Equity	\$8,041.7	17.6%	\$239.0	17.7%	(\$540.7)	(6.5%)
21%–40% Equity	\$7,075.3	15.4%	\$150.4	11.2%	(\$42.6)	(0.6%)
41%–60% Equity	\$8,928.9	19.5%	\$196.7	14.6%	(\$0.2)	0.0%
61%–80% Equity	\$8,942.0	19.5%	\$302.7	22.4%	\$174.7	1.7%
81%–100% Equity	\$12,852.0	28.0%	\$459.9	34.1%	\$204.5	1.3%
<i>Total</i>	<i>\$45,839.9</i>	<i>100%</i>	<i>\$1,348.7</i>	<i>100%</i>	<i>-\$204.3</i>	<i>(0.4%)</i>

For more detailed information, contact Lynthia Romney at 914-238-2145; 914-589-2140-cell.

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