College Savings Foundation Group Brainstorming Session

March 4, 2015

1. Myth busting – what's the typical 529 investor look like – today and in the future?
    a. Today is more mass affluent. We haven't penetrated middle class market yet. We believe penetration will increase in the future due to legislative forces/changes that will help middle class families gain access. The group is excited about access to, and development of, technology that will help serve customers. We see development of less expensive platforms and declining native technology will give way to new, less expensive technology.
    b. In the future, more grandparents will be involved than today as they will be more tech and financial services savvy. There will be deeper penetration in households where the parents used a 529 plan themselves.
    c. Group plans and corporate plans will change the landscape. Legislative changes will be good to boost participation.
    d. Grandparents and 2nd generation. People are working to a more specific goal/purpose/focus. This may keep college costs down as people will choose a reasonably priced college, making their savings go further. Employers will be more involved and help gain traction.
    e. Today the investor is in their late 20s to mid-30s. We'll see more grandparents and late bloomers (older first time parents who are more financially stable). The industry is maturing and growing. Previously, savings bonds were used to save for college, but now more money is going to college savings plans. Across the family, participation will increase (aunts, uncle, etc.).

2. If the industry would just do _____ 529's would grow! Ideas for mainstreaming 529's
    a. Tax parity – equal treatment across all states and a federal tax deduction. Allow 529's to be used for K-12 expenses. Although current impact is minimal, eliminating impact to financial aid could further boost usage. More employer-matching and not being taxed on the contributions.
    b. More national campaigns. Speak to the number one problem, which we feel is awareness. Allow tax parity for all states. More marketing campaigns using social media for current generation and going forward. Increasing awareness and encouraging messages. Keep the message positive that the customer can reach their goal.
    c. Mandatory drafting, make everyone get one! Easy to understand financial aid impacts. Easier set up and ability to transition to a Roth without penalty. Helping families understand and create partial funding goals and adjust these savings goals to meet this goal along the way. Change the name of the plan to something other than "529."
    d. Improve technology, make them, see them, use one!
    e. Hiring bigger sales force and redefining college, e.g. vocational schools. The big question is, I'm not sure my kid will go to college, so is a 529 suitable. Look to renaming 529's to something else and make it more inclusive.
    f. Get financial advisors more involved, having a stronger voice, being present and getting them engaged.

3. Building Advocacy – are advisors walking the walk and what % are talking about 529 plans with clients.
    a. Around 10-20% max based on our own wholesalers. We have a hard time getting wholesalers to even talk about it. Increase participation by removing manual processes. It's cumbersome for such a small ticket. Easy enrollment, dedicated sales force for just 529's to help promote. Mandatory discussions with customers.
    b. 10-15% are having the conversation. Sales force needs to be more comfortable. They are too hesitant and at this point, we need to get the sales force more education so its second nature. Instead of 529 as an add on it should be retirement savings AND what are you doing for college savings. Needs to be easier and less timely. The theme for marketing should be to make it easier for them to talk about. Compensation – some think it's not worth the paper work. Develop the relationship – make sure they are at least mentioning the resources that are available to them – call the experts.
    c. Offering tools and themes for advisors. Making it about the profiling process, not necessarily making them experts. Discovery aspect of the conversation – get better at building a relationship and managing their practice.
    d. Designation/licenses for back office ops and then they can help sell.
    e. More for RIA based business in terms of how to address this. How it works in retail mutual fund space - crossover sales. If they talk about it they do more sales. More individual options.
4. What are your firm's biggest challenges and how are you addressing those challenges.
    a. Changing demographics and dealing with that. Staffing – struggling with getting wholesalers out there selling. Paperwork struggles – need to make it easier.
    b. State perspective: overcoming the myths about 529's. Bringing the benefit to the account holder without so much work.
    c. Program manager operating as a b/d as well. Need to streamline with omnibus.
    d. Technology makes a big difference to make this business easier. Learning to work with RIA and hybrid advisor platforms. Automation and wading through regulations. Make direct plans easier for advisors to access and use for their clients. Education and training can add value to a program. Enticing advisors to let us in their office to help with education. How to look and apply for financial aid. Advisors don't have this knowledge. Tools and info the end client will use and close the loop.
    e. Remaining profitable with all the pressure to reduce fees. Finding states to partner with 3rd parties. So much oversight and budgets to deal with. In general, understanding these are issues and find ways to get around them. Fees are going down, budgets are small, so learn how to deal with.