

## **529 FEDERAL COALITION**

In recent months, numerous negative articles have been published regarding section 529 savings plans. These articles have criticized the way in which these programs are sold, the fees that are charged, and the manner in which disclosure is made. The Congress, SEC, NASD, GAO and the Treasury Department are examining whether additional restrictions should be placed on these plans. Most recently, the House Financial Services' Subcommittee on Capital Markets has scheduled a hearing on section 529 plans for June 2, 2004 and the Senate Government Affairs' Subcommittee on Financial Management, the Budget, and International Security has scheduled one for June 7, 2004. Given this heightened scrutiny, it is imperative that the industry not only respond to these immediate concerns, but devise a proactive plan to address the concerns raised.

All segments of industry must also band together to respond to issues that are on the horizon. The House Ways and Means and Senate Finance Committees have made it clear that tax cuts will have to be paid for. The industry will not only need to fend off proposals aimed at raising money from section 529 plans, but will, at the same time, have to push for permanent tax-free treatment for earnings on qualified withdrawals

### **FORMATION OF A 529 COALITION**

In order to best position the industry's interests in this environment, it is critical that the industry immediately begin work to identify stakeholders, build a Coalition, and identify champions in Congress for section 529 plans. The Coalition will seek to hire the necessary outside lobbyists, consultants, and publicists it needs to help it achieve its goals.

The sole mission of the Coalition is to proactively address the federal issues raised by lawmakers and regulators about section 529 savings plans. In doing so, the Coalition's immediate goals will be to respond to the NASD inquiries, SEC 529 task force, Congressional concerns, Treasury's proposed revenue raisers, and the GAO study that is underway. Our long-term goals will include addressing issues such as making the exclusion from income on earnings permanent.

#### **Stakeholders**

The Coalition will be made up of all the 529 industry stakeholders. This will include program managers; distributors; state administrators, including the College Savings Plan Network, "CSPN" (NAST) and individual state plans; colleges/universities; and interested trade associations, *e.g.*, ICI, SIA, and College Savings Foundation ("CSF").

#### **Commitment**

In order to hire outside consultants/lobbyist to work on this issue, each member of the Coalition will be asked to make a financial commitment to the Coalition. A contribution of \$10,000 will entitle the Coalition member to one seat on the steering committee for the period of June 1, 2004 through December 31, 2004. For contributions in excess of \$10,000 the Coalition member will be entitled to an additional seat on the board equal to one seat per \$10,000. Each potential coalition member is asked to make a commitment to the Coalition by May 31, 2004.

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