



CollegeSavings
FOUNDATION

2017 Annual Conference

College Planning Challenges and the Role of 529 Plans

State of the 529 Industry



Speakers

Moderator:

- Stacey Belford, Vice President, American Century Investments

Panelists:

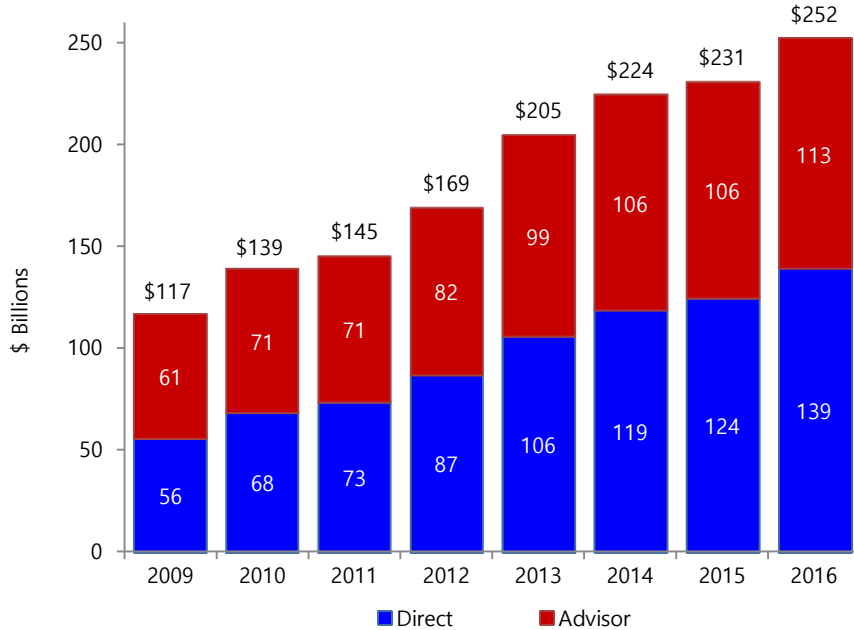
- Andrea Feirstein, Managing Director, AKF Consulting Group
- Rachel Ramos, Product Manager, American Funds

Today's Discussion

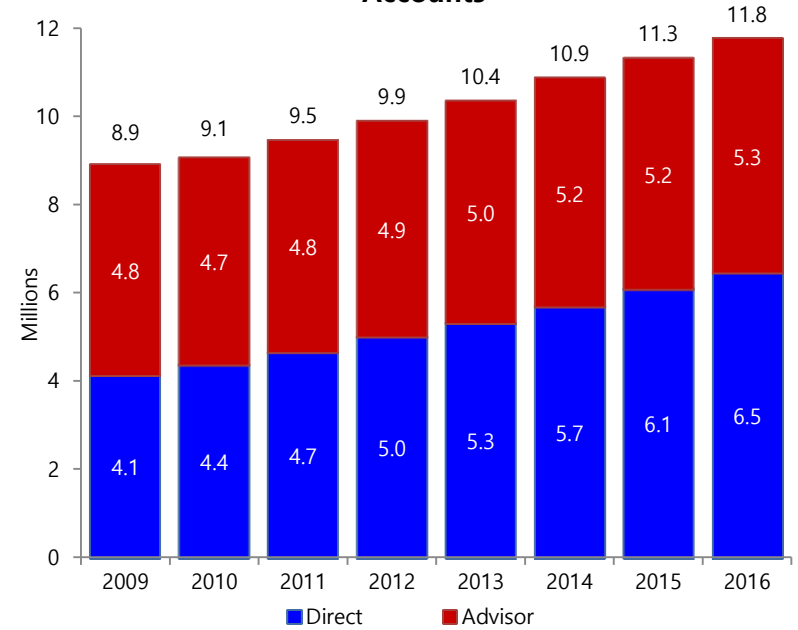
- Industry Growth Trends
- Fee Pressures
- Program Management Procurement
- Technology Trends & Enhancements

Industry Growth Rates

Assets



Accounts

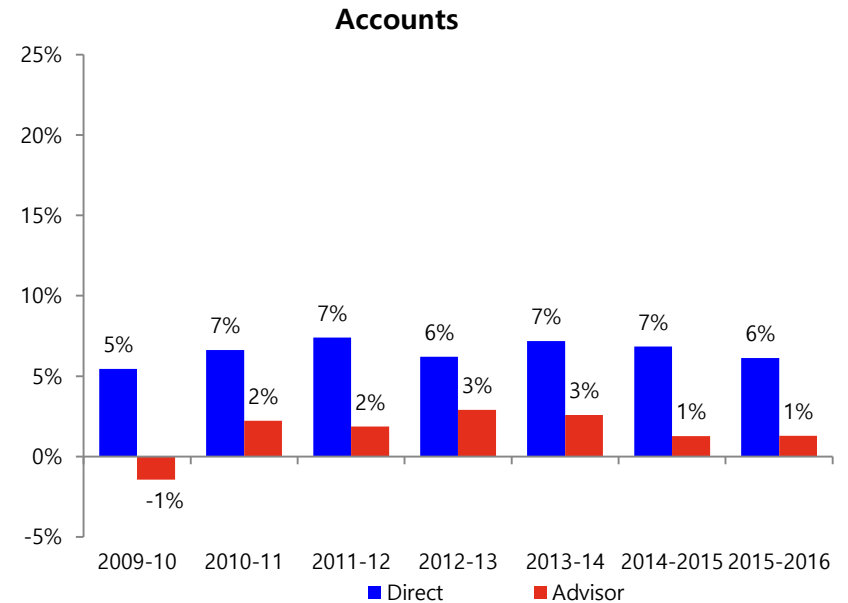
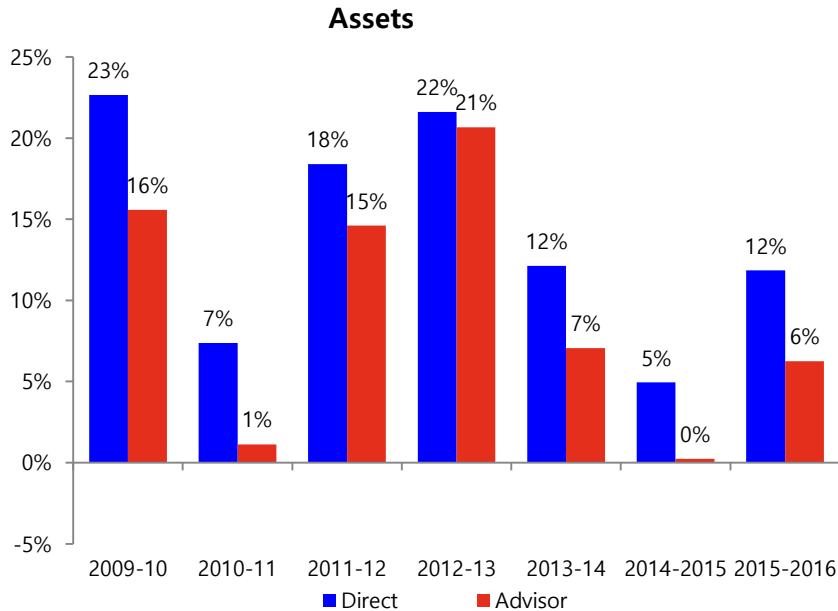


Average Annual Increase	Assets		Accounts	
	2009 – 2015	2009 – 2016	2009 – 2015	2009 – 2016
National Direct	\$11.4 B	\$11.9 B	323K	330K
National Advisor	\$7.5 B	\$7.4B	77K	76K

Sources: CSPN and certain States as of December 31, 2016



Industry Growth Trends

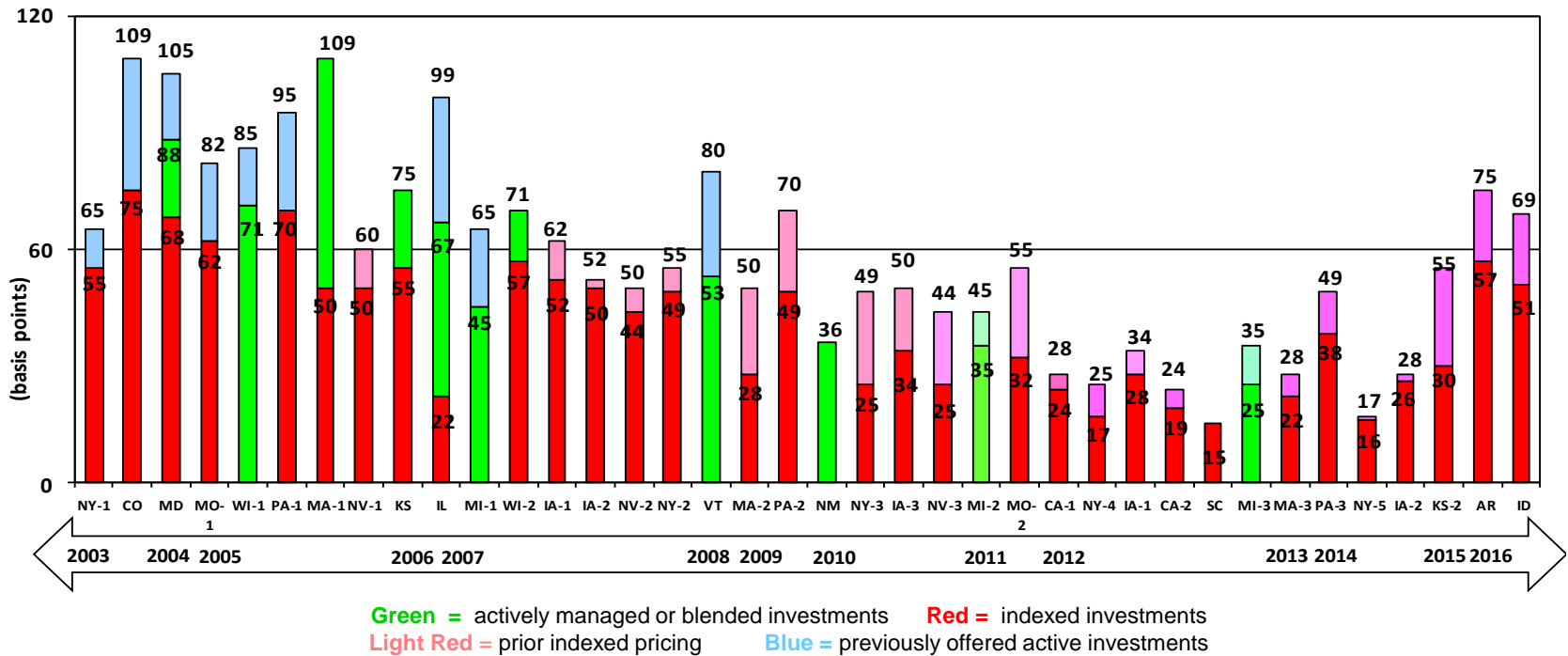


Average Annual Growth	Assets		Accounts	
	2010 – 2015	2010 – 2016	2010 – 2015	2010 – 2016
National Direct	14.3%	14.0%	6.6%	6.5%
National Advisor	9.6%	9.1%	1.6%	1.5%

Sources: CSPN and certain States as of December 31, 2016



A Sampling of Fee Reductions



- Most often, competitive RFPs have resulted in fee reductions
- More recent reductions reflect fee break-points or negotiations in lieu of RFPs

Note: Average fees shown above assume "moderate" age-based portfolios where several are offered

Fee Pressures—Recent Reductions

- Recent all-in fee reductions primarily involved higher cost Plans:
 - Kansas' Schwab 529 reduced total fees for passive portfolios from 0.55% to 0.30% in May 2015 without a rebid
 - Arkansas reduced total fees from 0.75% to 0.57% in January 2016 without a re-bid
 - Idaho reduced total fees from 0.69% to 0.51% in April 2016 without a re-bid
 - Nevada Vanguard reduced total fees from 0.19% to 0.17% in May 2016
 - Iowa reduced total fees from 0.26% to 0.20% in January 2017
- Other Plans have reduced program management fees:
 - Illinois reduced fees from 0.32% to 0.18% after March 2015 re-bid
 - Missouri reduced fees by 0.02%-0.10% after August 2015 re-bid
 - Virginia inVEST reduced fees by 0.05% in July 2016
 - Indiana reduced fees by 0.06% in August 2016 with a ten-year contract extension

Fee Pressures—Recent Reductions, cont'd

- Some Plans reduced other fees:
 - Virginia's CollegeAmerica reduced program administration fees from 0.09% to 0.07% in July 2016
 - Nevada SSgA reduced Tactical Asset Allocation from 0.09% to 0.07% in March 2016
 - Pennsylvania reduced Operational Support fee by 0.03% in August 2016
 - Fidelity-managed Direct Plans reduced underlying fund expenses by approximately 0.08% for index options in July 2016
 - Fidelity-managed Direct Plans also reduced underlying fund expenses by approximately 0.15% in multi-firm options in October 2016
- Other potential fee reductions ahead:
 - DOL-related impact on Advisor shares

Program Management Procurement

- Views on and actions around procurements can differ:

Rebids	Renegotiations
<p>Alabama California Colorado Direct (2009) Connecticut Washington, D.C. Hawaii Idaho (2007) Illinois (2007, 2015, 2016) Indiana (2006) Iowa Advisor (2012) Kansas (2006) Kentucky Maine Direct (2014)</p>	<p>Colorado Advisor (2009) Colorado Direct (2014) Georgia Idaho (2015) Indiana (2016) Iowa Direct (2007 and 2016) Kansas (2010 and 2016) Maine Advisor (2013) New Jersey Direct and Advisor (2013) Rhode Island Direct and Advisor (2010) West Virginia Direct and Advisor (2007 and 2017)</p>

Recent Rebids and Extensions

Year	Manager Not Rebidding	Manager Retained	Manager Replaced	Renegotiations / Extensions
2010	OR Direct	MO Direct	AL Direct/Advisor MO Advisor NE Direct / Advisor	RI Direct/Advisor
2011	CA Direct/Advisor	NY Direct	NY Advisor	GA Direct
2012	WI Direct/Advisor	SC Direct/Advisor/Prepaid		
2013	IA Advisor TX Direct/Advisor/Prepaid	MI Direct		
2014		MN NM Direct/Advisor	VT Direct	CO Direct OH Advisor OK Direct/Advisor PA Direct SD Direct/Advisor
2015		IL Advisor MO Direct	RI Direct/Advisor MO Advisor converted	
2016	IL Direct/Advisor	IL Advisor	IL Direct DC Direct/Advisor	IN Direct/Advisor KS Direct/Advisor IA Direct VA Advisor
2017		MD Direct		WV Direct/Advisor

Expected Contract Terms

- Several Plans nearing contract termination in the next few years:

2017		2018	2019
Arizona Advisor	Michigan (2)	Delaware	Colorado Smart Choice
Arkansas (2)	Nebraska (4)	New Hampshire (2)	Minnesota
Colorado Stable Value	Oregon Advisor	North Dakota	New York Direct
Connecticut Advisor	South Carolina (2)	Oregon Direct	New York Advisor
Hawaii	Wisconsin (2)	Pennsylvania	Texas (2)
		West Virginia (3)	
17 Plans: 8 Direct 9 Advisor		9 Plans: 7 Direct 2 Advisor	6 Plans: 4 Direct 2 Advisor

- Ascensus**, **TIAA** and **Fidelity** engagements are approaching contract maturity

Source: SavingforCollege and Program Disclosure Documents as of February 2017



Technology Trends & Enhancements

- Omnibus Recordkeeping:

Broker-Dealer	Program Managers
Ameriprise	Columbia / Fidelity / Hancock / Legg Mason
Edward Jones	American Funds / Blackrock / Franklin Templeton Hartford / Hancock / MFS
Merrill Lynch	American Funds / BlackRock / Columbia / Merrill Lynch
Morgan Stanley	Legg Mason / Oppenheimer (IL and NM)
Pershing	American Funds / Hancock / Voya (IA and WI)
Raymond James	American Funds
Wells Fargo	American Funds / Hancock

Source: Strategic Insight, January 2017

- Gifting Platforms and Gift Cards
 - Brick and mortar
- Workplace Plans
 - New entities
 - HR 529

Contact Information

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