Group Brainstorming Session (Day 1)

Moderated by Rich Wolle (Nuveen, target-date and 529 product marketing director) and Rachel Ramos (Capital Group, product manager – investment services)

* 2018 Conference Recap
	+ Repositioning: How to reposition from 529 to education savings
		- Too premature to move away from original intent
		- Generalize marketing to highlight education savings more
			* NM, ME, a few other States
	+ Identification: identify 2-4 awareness opportunities
		- Use K-12 to start conversation about college
		- National adoption provides more awareness opportunities
		- Marketing at hospitals, schools etc
	+ Timing
* K-12 status as of 1/3/2019 from SI
	+ 36 States have conformed
	+ 2 (AZ, ME) pending legislation
	+ 11 not conformed
	+ 2 outstanding (CT, IL)
* SI survey
	+ 88% of 529 users know K-12 is an option now
* Changes in plans
	+ BlackRock (nov 2018) target date
	+ Kentucky target date
	+ College education 🡪 financial awareness or education savings
	+ College Savings Foundation 🡪 Education Savings for Lifetime is new tagline
	+ LA differentiated the two programs
	+ Missouri logo tagline dropped “college”
	+ Utah is my529
	+ Share class issue to be addressed by B-D
* Session Topics: What do we expect next for the 529 industry?
	+ 1,6: identify headwinds for 529
	+ 2,7,9: Legislative enhancements
	+ 3,8: Student loan debt solutions
	+ 4: 529 and ERs
	+ 5,10: Technology enhancements industry-wide
* Legislative enhancement
	+ Incentive for employers (“ER”) across the board would be great (not just at state-level which is happening)
	+ UT tax credit
		- Employers love incentive but if they misuse (nonqualified distribution), then could be subject to recapture for employer and employee (“EE”). Could be a double edged sword.
	+ FAFSA, rollovers, IRAs
	+ Rollover to retirement
		- Parents are saving for college but one of reasons not using 529 specifically is perhaps because not 100% sure about sending to college
		- Reduces possibility of abuse
		- Could jumpstart student’s retirement
		- Encourages employers
	+ Match or repayment of student loan is much better than credit which has possibility of abuse
	+ K-12 still need to tighten up the definition of what is eligible institution for post secondary education. We have it for higher education.
	+ FAFSA – remove grandparent assets from income and asset test
	+ Investment changes remove it from twice a year
* Topic #1:
	+ Market penetration
		- Account owner level: lots of withdrawals; want to see accounts grow faster
		- Individuals going nontraditional route and parents who aren’t certain of children’s route – not opening account
		- Millennial demographic – not quite sure if they’re ready to invest for kids or have kids or buy house first etc
	+ 529s are not evolving with the model – nontraditional student is the traditional student
		- Not going to college and doing apprenticeships – this is an opportunity we don’t tap into
	+ Fees a source of confusion especially in advisor channel
		- Commission based 🡪 fee based
		- Tweaked model recently but industry is working on it
	+ Breaking assumption that 529 is only for the rich
		- Political standpoint creates challenge for us
	+ Savings culture
		- Not a nation of savers; getting people to save to retirement and healthcare but also college is daunting. There are competing challenges
	+ 2012 GAO report – industry needs to get around it
	+ Universal savings account a threat?
		- A republican favorite. Probably not going to happen because 529 has bipartisan support
* Topic 2: Legislation
	+ More flexibility needed
	+ Ability to use for homeschooling, apprenticeship, paying student loans, moving into 401k, charitable organizations
	+ Federal enhancements for ERs
	+ Expanding ABLE for veterans, even beyond age limit
	+ Loosening up irrevocability of 529 plan
	+ Coverdell – either eliminate it or having it have some consistency
* Topic 3: solutions for student debt
	+ There is a crisis
	+ Simplification of the payment process
		- Income based repayment? Direct link to IRS? (Pay loans down just like we pay taxes)
	+ Those students considering post secondary education
		- There must be college accountability – college needs to be part of solution, not just student and college taking the risk
		- Limit on parent or student loans tied to academic area of interest, which in turn is tied to employability of student and how it may translate into wages
	+ Important to provide education and financial wellness to workforce to balance all priorities and through calculators and resources.. what are the actual liabilities to assume for employees
	+ Employers incentivizing saving for college
	+ Disclosure and misinformation about student loans
		- Impacting three generations
		- Grandparents’ social security garnished as loans defaulted
		- Sometimes families think that they can take the loan as long as their credit will allow it
* Topic 4: Employer
	+ Multi-state ER offering .. across state lines
	+ Not same as 401k plan. HR don’t want large sponsorship. Big fear
	+ Opposition inside – additional work or cost involved. E.g. payroll
	+ Tax issues – no federal tax benefit but in-state credit or deduction for contribution is fine but with an ER match.. gets complicated – EE need to be aware of W2 impact, etc
* Topic 5: Technology
	+ Omnibus – want more advisors
	+ Getting rid of paper makes it easier
	+ More mobile friendly is key
		- App, design
	+ Use data more effectively
		- Proactive around communication and training
	+ Distribution process
		- Withdrawals accelerating
		- Painful process.. very manual. Room for human error
		- Want industry-wide database. Investor can submit college name, ID and their name, and then standardize form into a more centralized one for transferring funds to college
		- Payment subscription or free database
	+ Advisor-sold space
		- Need it to be easier for them
* Next Steps