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