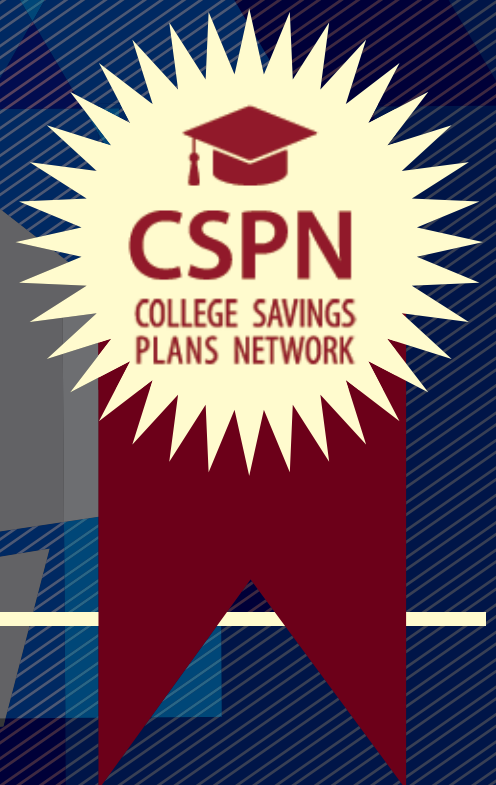




529
REPORT

**AN EXCLUSIVE
YEAR-END
REVIEW OF
529 PLAN ACTIVITY**



MARCH 2017

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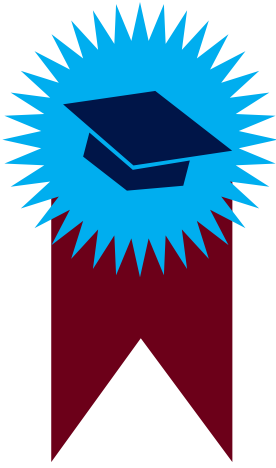
The College Savings Plans Network (CSPN), the leading objective, non-profit voice for Section 529 Plans (defined in the following pages), is pleased to present its 2016 year-end **529 Report** which provides recent growth trends of 529 plans.

Findings from the 2016 year-end **529 Report** demonstrate that American families are selecting 529 plans to save for college, and continue to make contributions to the plans in preparation for the increasing cost of tuition.

The vision of CSPN is to provide a broadened awareness, understanding, and use of 529 plans to empower families to save for higher education. The numerous benefits of 529 plans, including its tax-advantaged status, offer a simple, flexible, and beneficial way for families of all income levels to save for higher education. Today's job market is more competitive than ever before, placing a premium on a college degree. Higher education provides an advantage while opening up more career options and increasing earnings potential.

I encourage you to visit www.CollegeSavings.org to learn how 529 plans are helping millions of American families make higher education dreams a reality for their children, grandchildren or even themselves.

HON. YOUNG BOOZER, STATE TREASURER OF ALABAMA
CHAIR, COLLEGE SAVINGS PLANS NETWORK



EXECUTIVE SUMMARY

The College Savings Plans Network's (CSPN) **529 Report** is an independent source for complete and up-to-date information on Section 529 College Savings Plans. The 2016 **529 Report** includes data from 108 savings and prepaid tuition plans (Section 529 Plans). These Plans are offered by 49 states, the District of Columbia and a non-profit consortium of private colleges and universities.

CSPN, an affiliate of the National Association of State Treasurers, aggregated the data which includes assets held in 529 accounts, the average size of 529 accounts, and the percent of contributions and distributions in 529 accounts for the time period of January 1, 2016, through December 31, 2016. The following are the major findings from the 2016 data collection effort:

- **Total investment by U.S. families in 529 plans reached a record level of \$275.1 billion, representing a growth in assets of \$21.9 billion.**
- **The total number of 529 accounts increased 3.2% over the past 12 months, growing from 12.5 million in December 2015 to 12.9 million as of December 2016.**
- **The average 529 account size increased in 2016, finishing the year with an average account size of \$21,383 as of December 2016, a 5.9% increase since the end of 2015.**
- **Contributions grew to nearly \$27 billion in 2016.**

The **Report** also demonstrates that saving for a college education is important for parents and grandparents as more than 54% of all 529 accounts received contributions in 2016.



529 PLANS

A 529 Plan is a tax-advantaged investment plan designed to encourage saving for the future qualified higher education expenses of a designated beneficiary, which could be one's child or grandchild, but could also be any other individual (including oneself for adults investing for their own higher education). The plans are named after Section 529 of the Internal Revenue Code of 1986, as amended, and are administered by state agencies and their private sector partners.

A 529 Plan is designed to encourage early and consistent savings efforts by offering an easy, affordable and convenient way for families to save for college. Tax advantages are one of the primary benefits – all money grows free from federal and state income-tax and all withdrawals are exempt from federal income tax when used for qualified higher education expenses. Many states also exempt withdrawals from state income-tax for qualified higher education expenses.

In addition to the tax advantages, states also offer a variety of features and benefits to help families reach their college savings goals, including:

- **The account holder retains control of the assets within the program regardless of beneficiary's age.**
- **Most plans have very low minimum monthly contribution limits making them attractive to families regardless of income level. Some states have minimum limits as low as \$15.**
- **The beneficiary can be changed at any time to another member of the beneficiary's family (out to first cousins).**
- **Money can be used at virtually any accredited college in the country. You can find qualified schools on FAFSA's website.**
- **Money can be used to pay for a variety of college expenses, including tuition, fees, room, board, books, supplies and required equipment.**
- **Contributions can be made conveniently through payroll deduction or automatic transfers from a bank account.**
- **Many states offer maximum contribution limits of \$300,000 or more.**
- **Assets within 529 plans are protected from bankruptcy.**
- **Most states offer a low-cost option that can be opened by contacting the plan directly.**
- **Many 529 plans are also offered through professional financial advisors who can help you choose a 529 plan and an investment strategy to meet your needs.**
- **Account owners can make a lump sum contribution of up to \$70,000 per beneficiary or \$140,000 if married filing jointly and avoid incurring a Gift Tax on this amount by electing to use five years of the annual gift tax exclusion all in one year. After utilizing this provision, the annual exclusion cannot be used again for the same beneficiary until the five-year period has passed. Should a donor die within those five years, a pro-rata amount of the gift will revert back to their estate and be treated as a taxable gift.**



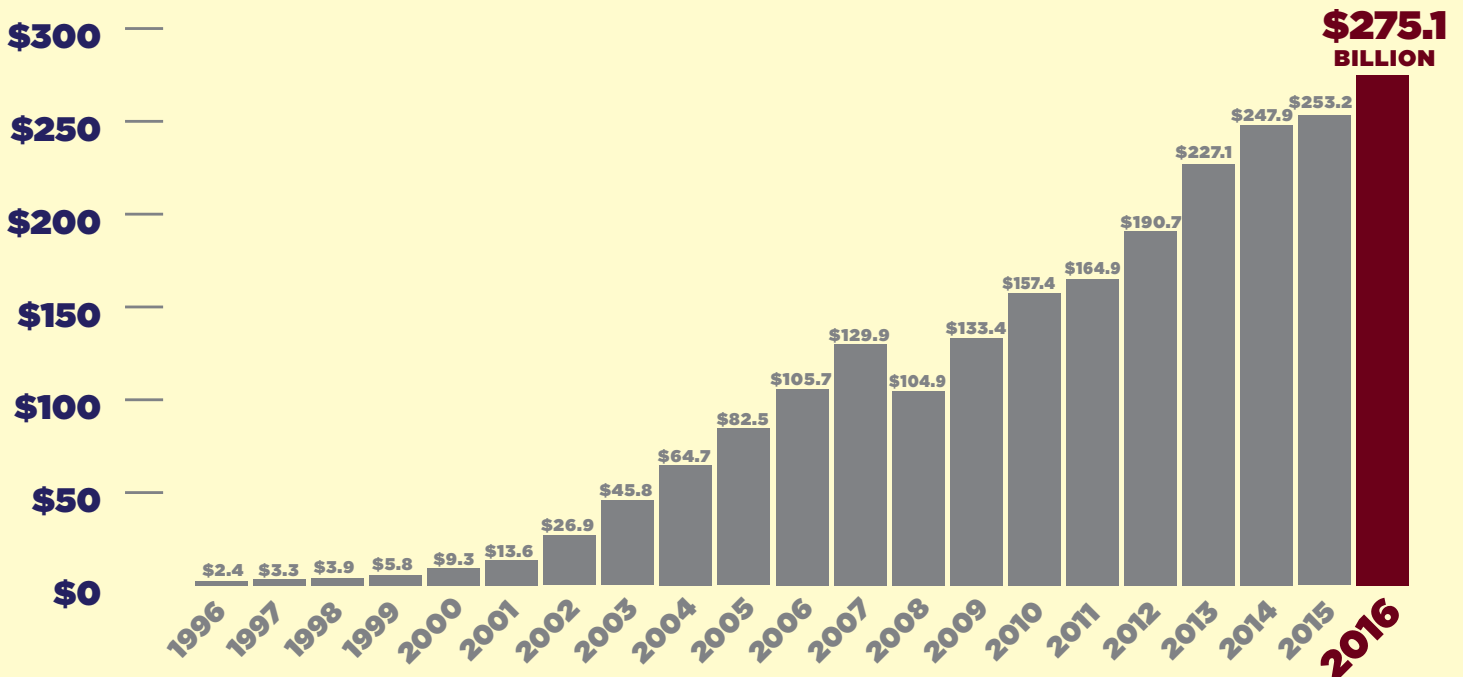
AMERICAN FAMILIES ARE INCREASING SAVINGS FOR HIGHER EDUCATION

ASSETS

The plan-level data collected shows that 529 plan assets reached record amounts in 2015 with \$275.1 billion in assets under management. This is a 8.6% increase for the time period of January 1, 2016 to December 31, 2016. Assets in 529 plans were \$253.2 billion at the end of 2015.

The chart below shows annual 529 plan assets based upon data collected from 1996 through 2015.

ASSETS UNDER MANAGEMENT IN 529 PLANS NATIONALLY (YEAR END - IN BILLIONS)

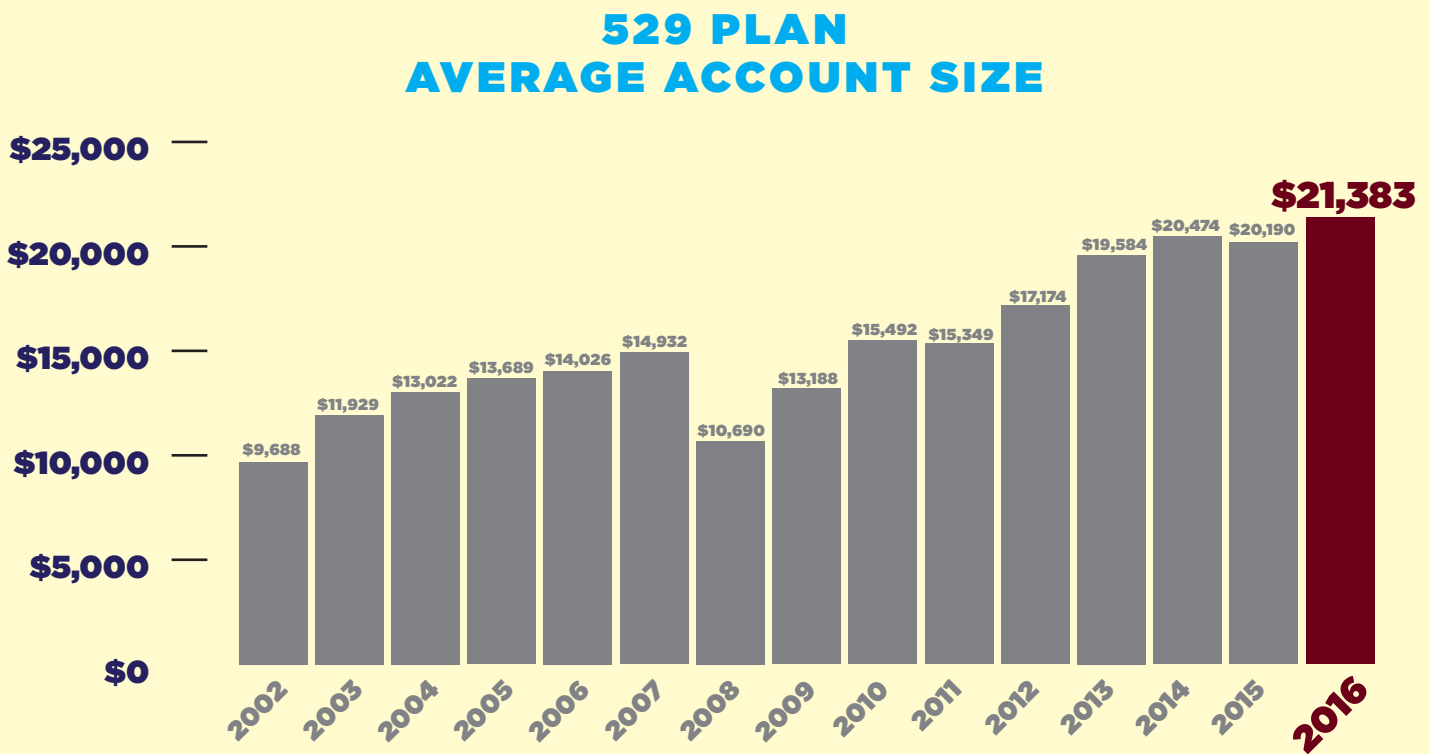


While total assets increased by 8.6%, assets net of contributions and distributions increased 6.0% in 2016. For comparative purposes, the S&P500 increased by 9.5% and the Barclays Capital Aggregate Bond Index increased by 2.72% during the same period. The returns of individual investment options in 529 plans vary due to each account owner's ability to invest in a variety of investment strategies including fixed income, equities, guaranteed return, or a blend of these strategies. Many individual options offered positive returns during the period.

While assets in 529 plans are increasing, so is the cost of higher education. According to FinAid.org, college tuition is likely to increase about 8% each year, meaning that the cost of college doubles every nine years. The 529 college savings market is stable and continues to grow, offering families a proactive vehicle to save for higher education and reduce their family's reliance on student loans.

AVERAGE ACCOUNT SIZE

As of December 31, 2016, the average balance in a 529 plan account was \$21,383 compared to \$20,190 at the end of 2015. This represents a 5.9% increase from 2015 to 2016. The chart below shows the difference in average account size for 2002-2016.



According to the College Board's *Trends in College Pricing 2016*, published in-state tuition and fees (including room and board) at public four-year institutions averaged \$20,090 in 2016-2017. Comparatively, the average investor in a 529 plan has saved a little more than one year of education at a public college or university. Although this is only a quarter (or less) of the cost of public higher education, it's important to remember that any money saved for college is money that a family will not have to take out as loans and repay with interest.

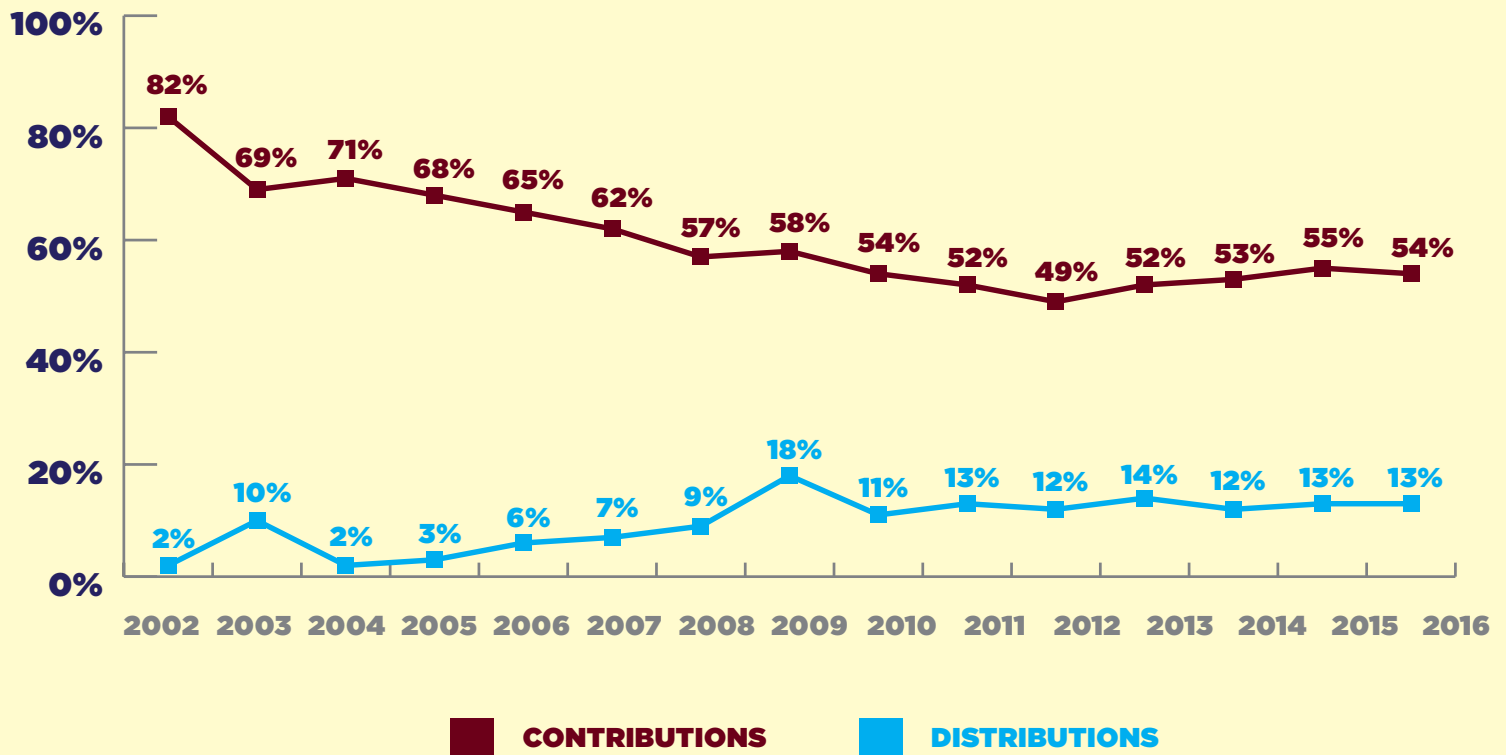
ACCOUNT ACTIVITY

Contributions to new and existing 529 accounts nationwide exceeded \$26.9 billion in 2016. More than 54% of all 529 accounts received contributions in 2016.

529 account activity demonstrates the potential for further growth in 529 accounts. In 2016, approximately 13% or 1.67 million 529 accounts took a distribution, representing approximately 8.1% of the total number of U.S. college students, estimated by the National Center for Education Statistics to be 20.5 million as of fall 2016.

The chart below shows the percent of 529 accounts with activity for 2002-2016.

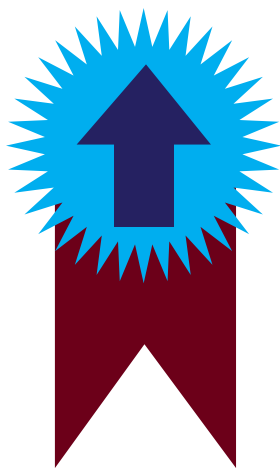
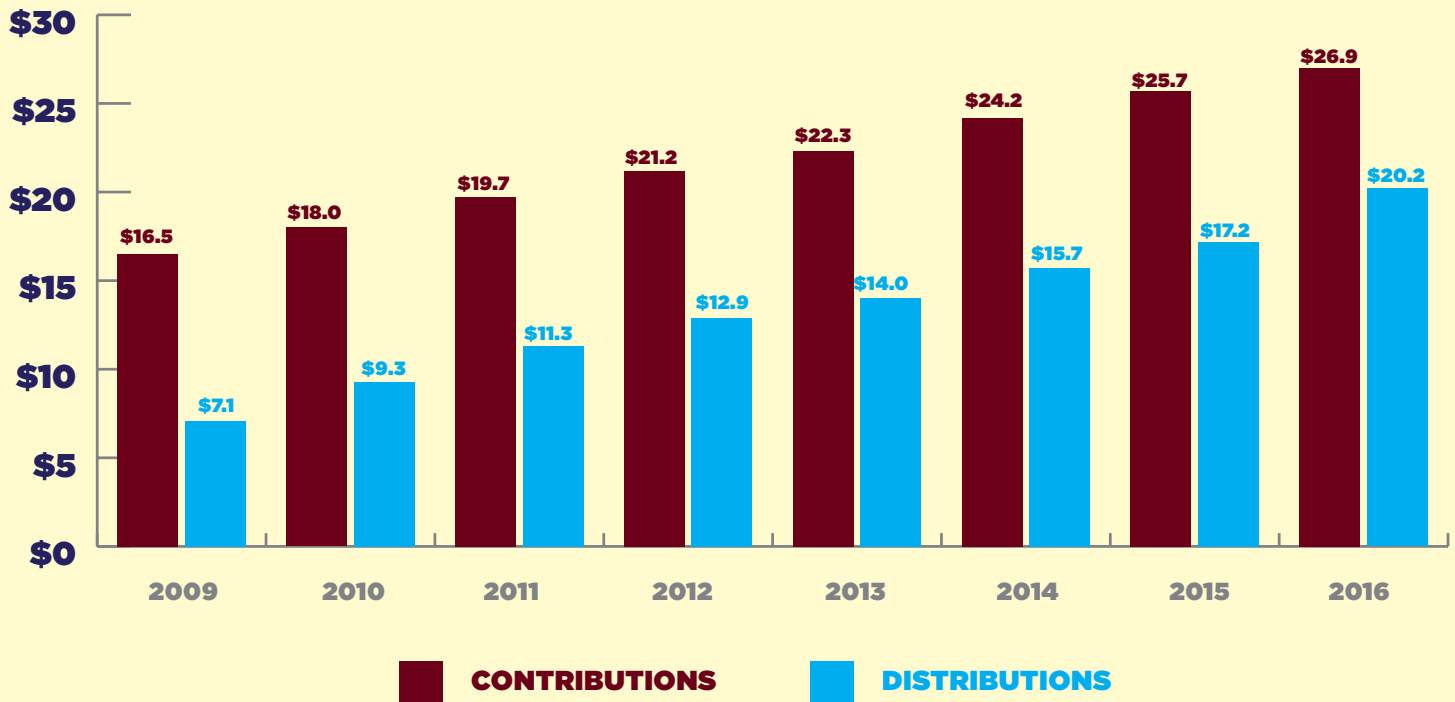
**PERCENT OF ACCOUNTS WITH ACTIVITY
(YEAR END)**



Total contributions to and distributions from 529 plans continue to increase as shown below.

CONTRIBUTION AND DISTRIBUTION AMOUNTS INTO 529 PLANS NATIONALLY

(YEAR END - IN BILLIONS)



CONCLUSION

The need for higher education has never been more important. In 2007, 59% of America's jobs required at least some college education, according to the Georgetown University Center on Education and The Workforce. By 2018, it is anticipated that more than 63% of American jobs will require some higher education. Additionally, the Center reports that by 2018, the postsecondary education system will have produced 3 million fewer college graduates than demanded by the labor market.

Unemployment is another critical issue. The Bureau of Labor Statistics currently reports a 5.3% unemployment rate for high school graduates in the United States, however, that number is significantly lower (2.5%) for those with a bachelor's degree or higher. Higher education is clearly important to not only the future of our children, but to our economy as well.

The 2016 **529 Report** findings indicate that millions of American families continue to invest in higher education for their children, and see 529 Plans as a good choice for their investment. With more than 12.88 million 529 accounts open nationally, we are starting to see a greater percentage of families using 529 Plans to save for higher education, but we clearly have a long way to go. Our mission remains one of helping all American families who have college dreams for their children or grandchildren to save in advance for future college expenses to minimize or eliminate reliance on future student loan debt.



529 Q&A

WHAT IS A 529 PLAN?

A 529 plan is a tax-advantaged investment plan designed to encourage saving for the future qualified higher education expenses of a designated beneficiary, which could be one's child or grandchild, but could also be any other individual (including oneself for adults investing for their own higher education). The plans are named after Section 529 of the Internal Revenue Code of 1986, as amended and are administered by state agencies and their private sector partners.

WHAT ARE THE OPTIONS FOR 529 PLANS?

There are two types of 529 plans – savings and prepaid tuition plans. Savings plans (which are the most common) allow account holders to invest as little as \$15 per month to build balances that can be used for any qualified higher education expenses, which can include tuition, fees, certain room and board, books, computers, and certain supplies. Prepaid tuition plans typically provide for the purchase of future tuition based largely on today's tuition rates prices. Some prepaid plans offer credit units and others offer semesters for purchase.

WHERE CAN 529 PLAN FUNDS BE USED?

Funds invested in 529 plans can typically be used at any public or private college, in-state or out-of-state, as well as trade or technical schools that are accredited and are eligible to accept federal financial aid. Funds in 529 plans can even be used at some schools abroad.

WHO OFFERS 529 PLANS?

Currently 49 states, the District of Columbia and a non-profit consortium of private colleges and universities offer 529 Plans. While most prepaid tuition plans have state residency requirements, saving plans are typically open to residents of any state.

HOW ARE 529 PLANS OPENED?

529 plans can be opened directly by investors in “direct-sold” college savings plans. They can also be opened through a financial professional in “advisor-sold” college savings plans. Advisor-sold plans typically include annual sales charges and, in some cases commissions, or “loads,” to compensate financial advisors for services provided to their clients.

CAN I AFFORD A 529 PLAN?

For the majority of American families, the answer is “Yes.” Consider the facts:

- **LOW MINIMUM CONTRIBUTIONS** – Most 529 plans have low initial minimum and subsequent contributions to an account. In comparison, most traditional mutual fund products require a minimum initial investment of at least \$1,000 followed by subsequent minimum investments of \$1,000 or more.
- **MATCHING GRANTS** – Some states offer matching grants or scholarship programs, typically matching up to \$500 of contributions for qualifying families.
- **DIRECT-SOLD** – Forty-eight States plus the District of Columbia offer a direct sold plan, which allows account owners to invest without a financial professional, thereby offering professionally managed investments without sales loads or commissions.
- **LOW FEES** – Fees for 529 plans have decreased over time, with the average direct-sold fee approximately 60 basis points (0.60%) for popular investment options.

HOW SECURE IS A 529 PLAN?

529 plans are generally governed by state treasurers, state officials and public sector governing boards which may provide a level of oversight not typically found in other private-sector investments. All investments involve risks that are properly described in the plans program disclosure statement.

Prepaid tuition plans are currently offered by 11 states and 1 not-for-profit organization and allow for the pre-purchase of tuition based in part on today’s prices. Benefits are paid out at the future cost when the beneficiary is in college. Some prepaid tuition plans are also backed by state legislation or even the full faith and credit of their state.

WHAT INVESTMENT OPTIONS DO 529 PLANS OFFER?

529 plans offer a wide range of flexible and diverse investment options for families, including options based on the age of the beneficiary, options based on certain levels of risk and options based on certain asset classes.

WHERE CAN I FIND MORE INFORMATION?

Several resources provide comprehensive information on 529 Plans:

- College Savings Plans Network (CSPN) — www.CollegeSavings.org
- U.S. Department of Education — www.ED.gov
- Internal Revenue Service — www.irs.gov (Search for Publication 970 - Tax Benefits for Education)
- U.S. Securities and Exchange Commission — www.sec.gov (Search for “An Introduction to 529 Plans”)
- Municipal Securities Rulemaking Board — www.msrb.org



ABOUT COLLEGE SAVINGS PLANS NETWORK (CSPN)

The College Savings Plans Network (CSPN) is a national non-profit association and the leading objective source of information about Section 529 College Savings Plans and Prepaid Tuition Plans—popular, convenient and tax-advantaged ways to save for college. An affiliate of the National Association of State Treasurers (NAST), CSPN brings together administrators of 529 savings and prepaid plans from across the country, as well as their private sector partners, to offer convenient tools and objective, unbiased information to help families make informed decisions about saving for college. For more information, visit the CSPN website at CollegeSavings.org; and follow CSPN on Twitter and Facebook.

The College Savings Plans Network is governed by an Executive Board of state Treasurers and state Program Directors. The 2017 Executive Board is:

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