

# 2015 College Savings Foundation Conference

529 Landscape

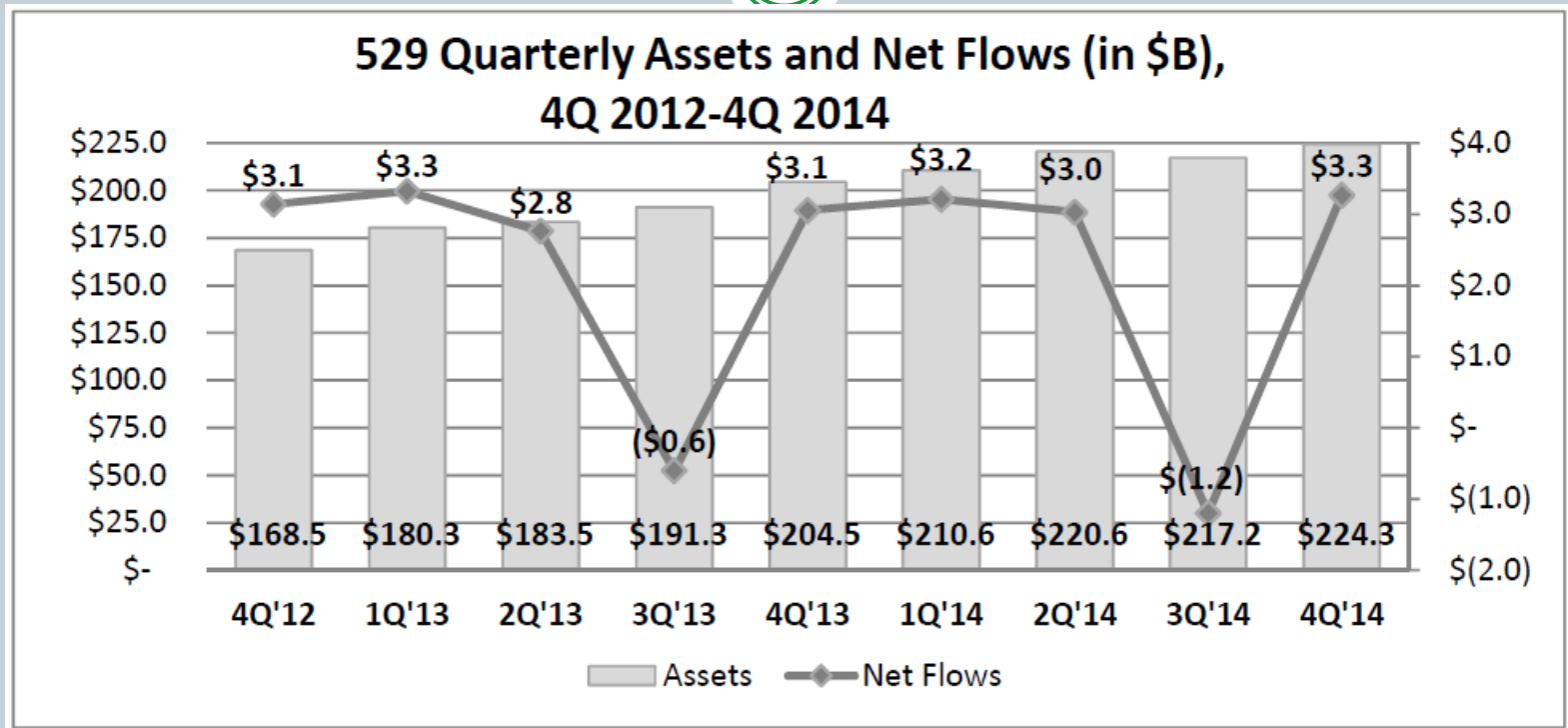


# The 529 Landscape



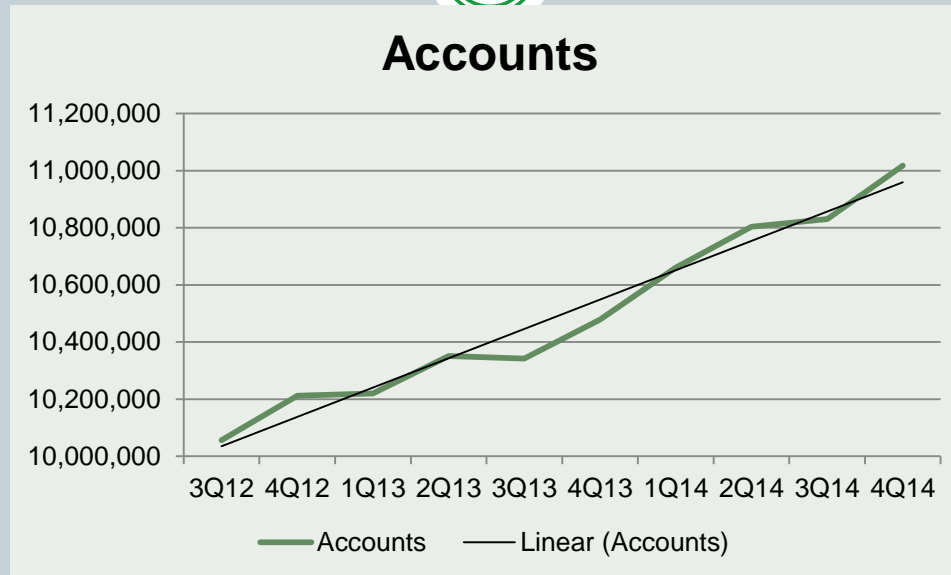
- Moderator: Chris Lynch, Senior Director, TIAA-CREF Tuition Financing, Inc.
  - Panelist: Andrea K. Fierstein, President, AKF Consulting Group
  - Panelist: Massi DeSantis, Ph.D, Vice President Research, DFA
  - Panelist: Joe Hurley, Savingforcollege.com

# The Current Market



- According to Strategic Insight
  - Total 529 savings plan assets increased to an estimated \$224.3 billion as of 2014 Q4, reflecting a 3.3% increase from 2014 Q3 assets and a 9.7% increase from 2013 Q4
- The growth in plan outflows reflects two movements in the 529 market
  - The market is maturing, i.e. beneficiaries are growing up and going to college, so their 529 accounts are being tapped
  - It is harder to find younger investors to replace the older account owners due to growing inequality and a relatively poor job market

# 529 Participation Growth



- Accounts for combined Direct and Advisor plans
  - Internal data suggests every Account Owner has approximately 1.2 accounts
- Data from Strategic Insight's 529 College Savings Quarterly Data Updates

# Student Debt and Wealth Accumulation



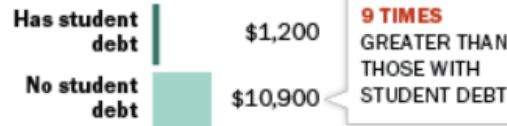
## Young Student Debtors Lag Behind in Wealth Accumulation

Median net worth of young households

### COLLEGE EDUCATED



### NOT COLLEGE EDUCATED



Note: Young households are households with heads younger than 40. Households are characterized based on the educational attainment of the household head. "College educated" refers to those with a bachelor's degree or more. Student debtor households have outstanding student loan balances or student loans in deferment. Net worth is the value of the household assets minus household debts.

Source: Pew Research Center tabulations of the 2010 Survey of Consumer Finances

PEW RESEARCH CENTER

- Households headed by a young, college-educated adult without any student debt obligations have about seven times the typical net worth (\$64,700) of households headed by a young, college-educated adult with student debt (\$8,700).

○ *Pew Research Center, 5/14/2014*

# The Rising Cost of Not Going to College

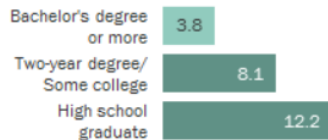


## Disparity among Millennials Ages 25-32 By Education Level in Terms of Annual Earnings ...

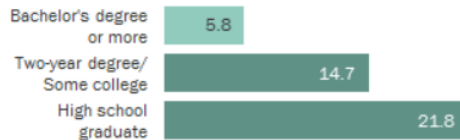
(median among full-time workers, in 2012 dollars)



## Unemployment Rate ...



## And Share Living in Poverty ...



Notes: Median annual earnings are based on earnings and work status during the calendar year prior to interview and limited to 25- to 32-year-olds who worked full time during the previous calendar year and reported positive earnings. "Full time" refers to those who usually worked at least 35 hours a week last year. The unemployment rate refers to the share of the labor force (those working or actively seeking work) who are not employed. Poverty is based on the respondent's family income in the calendar year preceding the survey.

Source: Pew Research Center tabulations of the 2013 March Current Population Survey (CPS) Integrated Public Use Micro Sample

PEW RESEARCH CENTER

- The analysis by Pew Research finds
  - Millennial college graduates ages 25 to 32 who are working full time earn more annually – about \$17,500 more – than employed young adults holding only a high school diploma
  - This pay gap was smaller in previous generations
  - College-educated Millennials are more likely to be employed full time than their less-educated counterparts (89% vs. 82%) and significantly less likely to be unemployed (3.8% vs. 12.2%)
- So not saving for college has a price

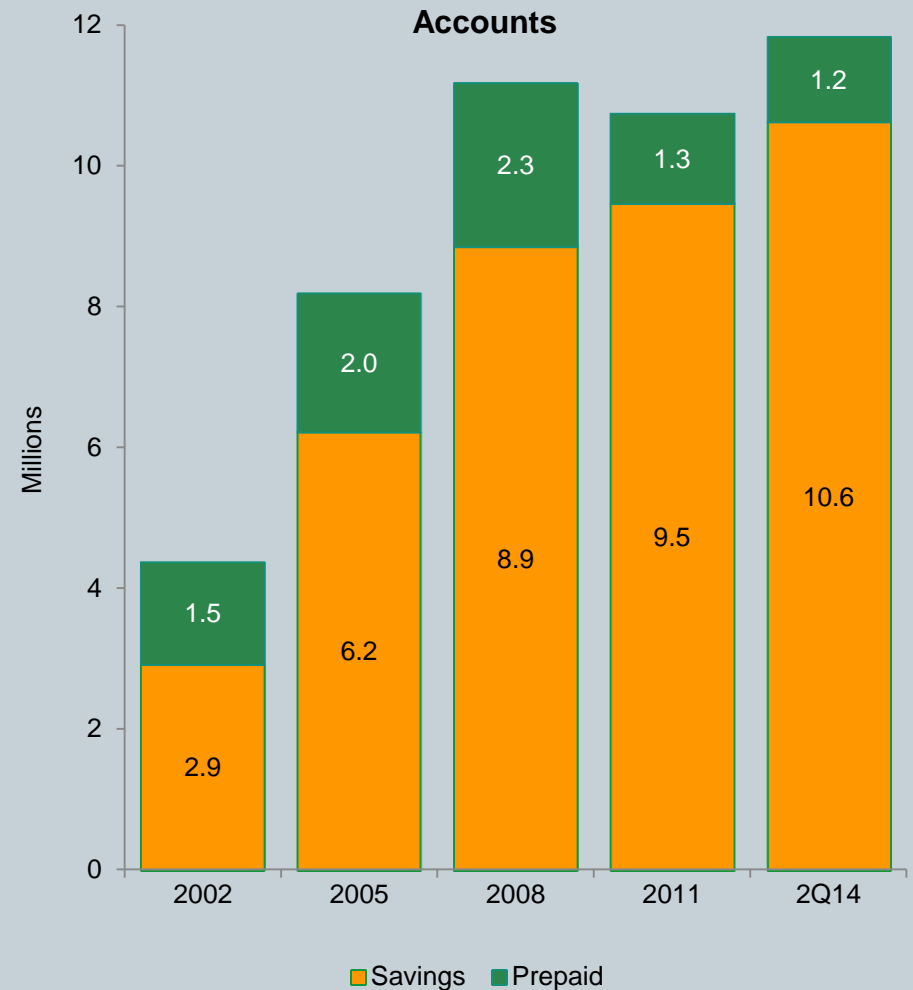
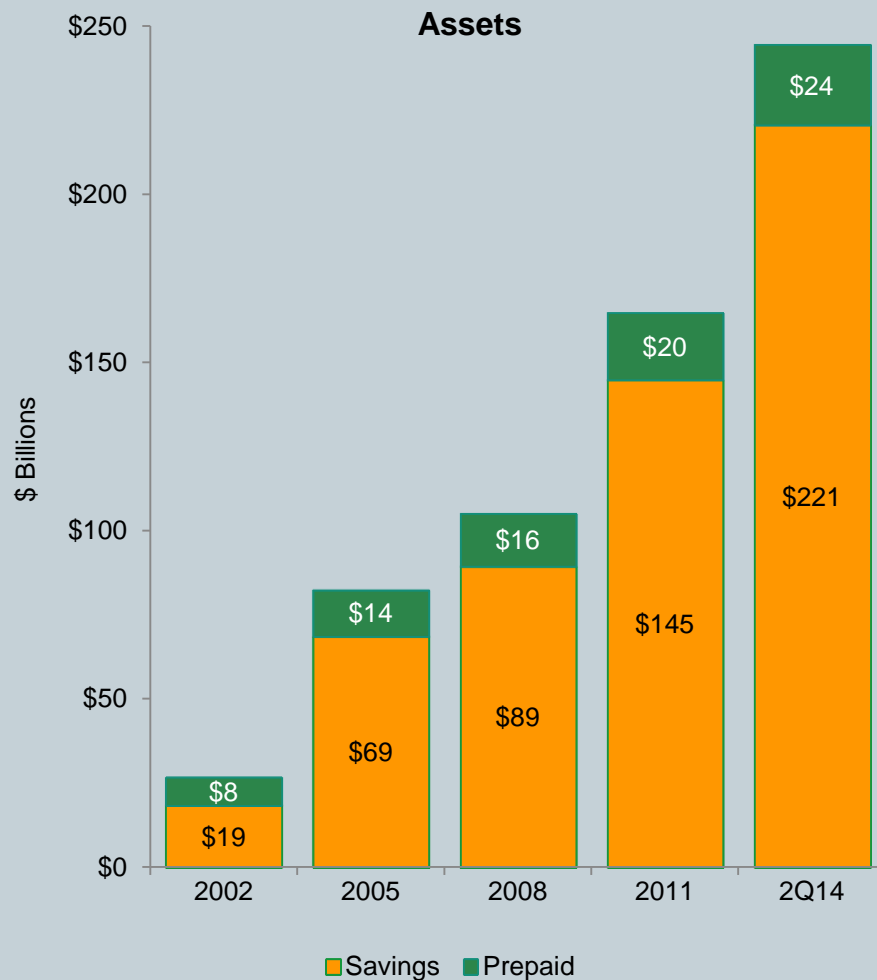
# Today's Discussion

7

- **Distribution Trends**
- **Program Management Landscape**
- **Investment Option Observations**

# National Market 2002 – 2Q14

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# Snapshot of the 529 Market

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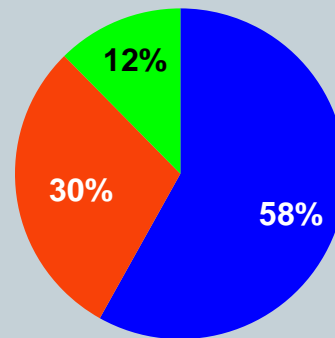
|                             | Prepaid Plans                     | Direct Savings Plans | Advisor Savings Plans | Total             |
|-----------------------------|-----------------------------------|----------------------|-----------------------|-------------------|
| <b>States</b>               | 12                                | 49<br>(with DC)      | 30<br>(with DC)       | 50<br>(with DC)   |
| <b>Plans</b>                | 13<br>(with Private College Plan) | 61                   | 31                    | 105               |
| <b>Assets</b>               | \$23,820,569,563                  | \$115,103,062,867    | \$105,529,574,142     | \$244,453,206,572 |
| <b>Accounts</b>             | 1,208,598                         | 5,449,745            | 5,169,907             | 11,828,250        |
| <b>Average Account Size</b> | --                                | \$21,121             | \$20,412              | --                |

Sources: CSPN and certain States as of June 30, 2014; Washington, D.C. is included in Direct Plan count  
 Open Prepaid Plans: AK, FL, IL, MD, MA, MI, MS, NV, PA, TX, VA, WA, Private College Consortium

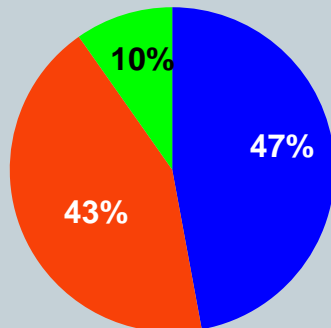
# Another View of the 529 Market

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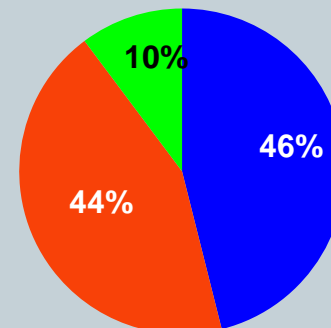
## National 529 Plan Types



## 529 Assets



## 529 Accounts



■ Direct

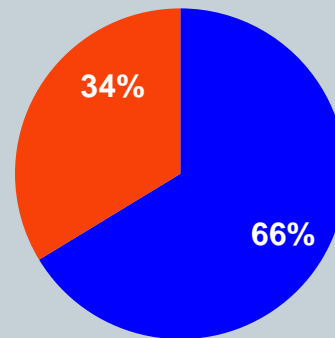
■ Advisor

■ Prepaid

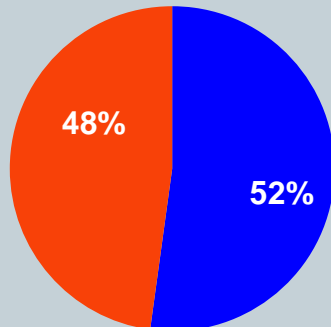
# And the Savings-only View

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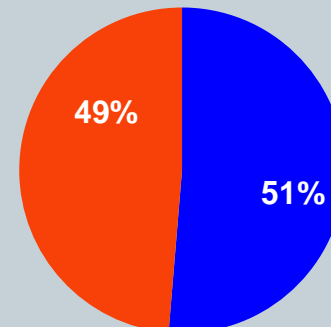
### Savings Plan Types



### Savings Assets



### Savings Accounts

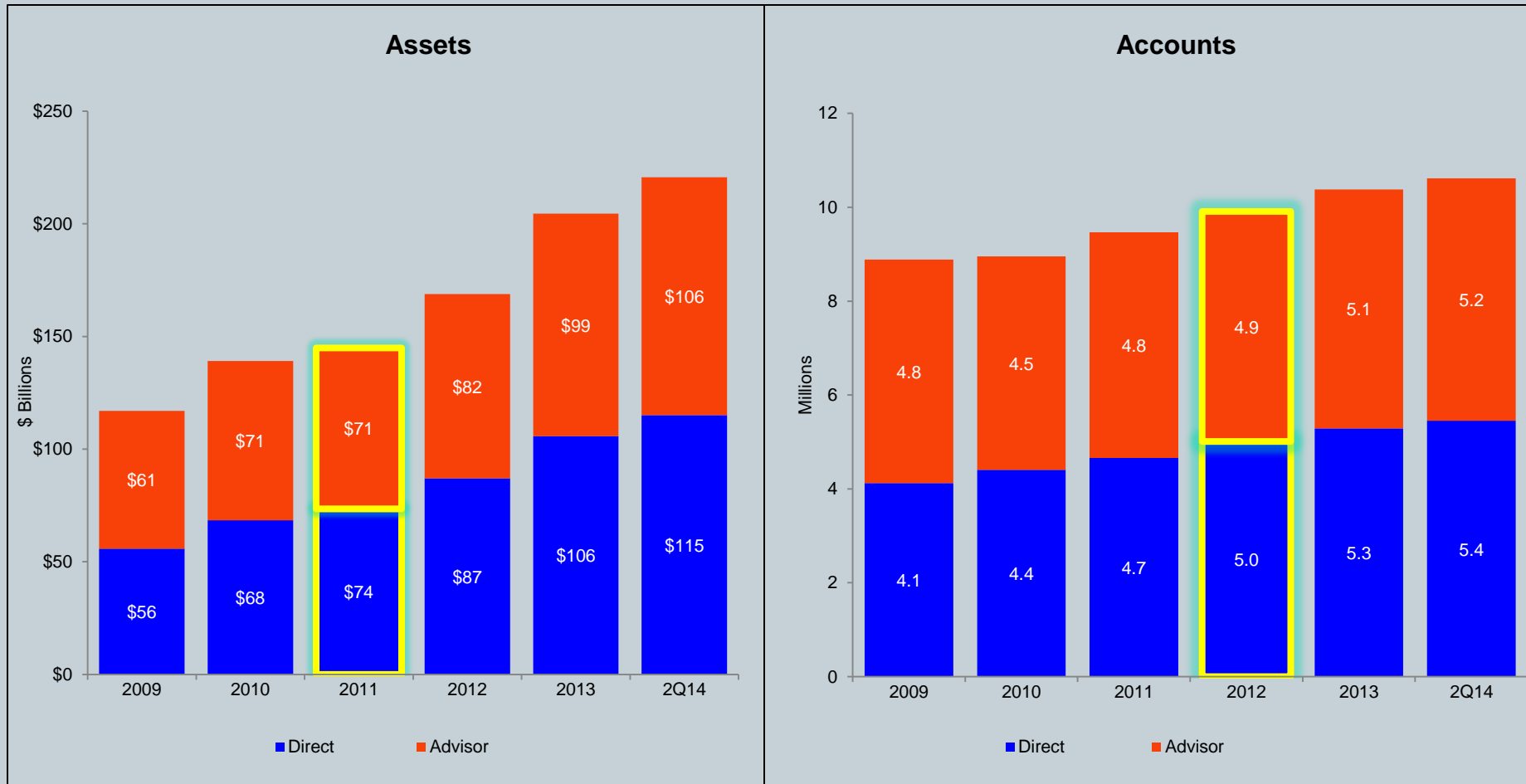


■ Direct

■ Advisor

# Direct and Advisor Savings 2009 – 2Q14

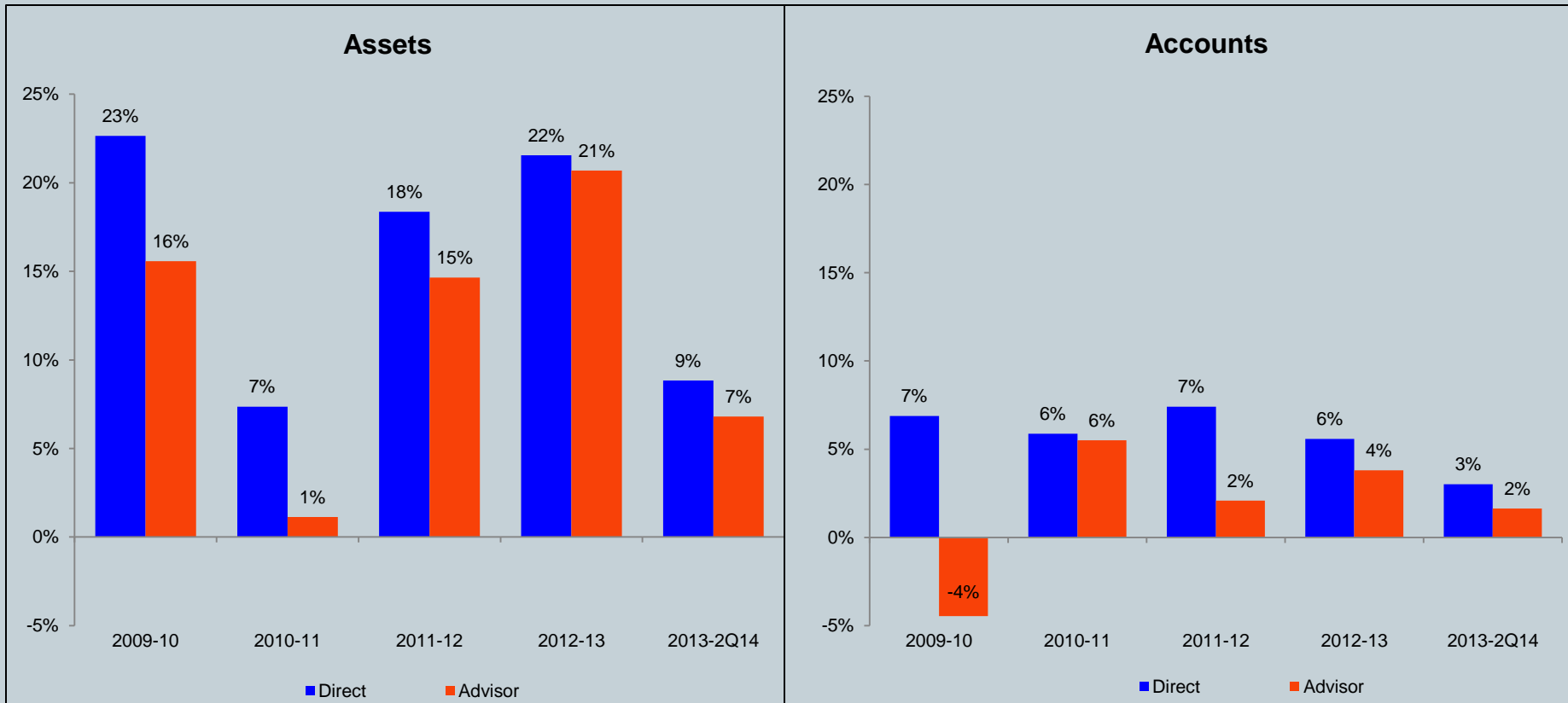
12



Sources: CSPN and State data as of June 30, 2014; for certain States, assumed 2009 direct versus advisor splits based upon 2010 proportions

# Direct and Advisor Growth 2010 – 2Q14

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**Average Annual Growth:  
Direct 17.5% : Advisor 13.1%**

**Average Annual Growth:  
Direct 6.4% : Advisor 1.9%**

# Observations on Distribution Trends

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- **National press and strong markets bolster visibility of Direct Plans**
- **Administrative and marketing challenges may finally lead some brokers to “sell away”**
- **Direct Plans enhance web-based access for RIAs and Fee-Based Advisors**

# Portals for Advisors – Colorado

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**CollegeInvest**  
WE HELP YOU GET THERE

Home   Why CollegeInvest   Savings Options   Our Savings Plans   Tools & Resources

Home » Advisors

**Advisors**

Helping Your Clients   Continuing Ed Registration   Tax

### Frequently Asked Questions by Advisors

- + How can I access my client's account information?
- + Do I need a sales agreement? How do I set one up?
- + How do I get paid?
- + How do I access forms or order materials?
- + Where Do I Mail Client Forms?

### Frequently Asked Questions from Your Clients

- + What is a 529 savings plan?
- + What are the benefits of investing with CollegeInvest?
- + Who can participate?
- + What higher education expenses are covered by the plan?
- + Can I change my investment option for my account?

### Beneficiary Information

- + Can there be more than one account for the same student?
- + Can I designate more than one student as a beneficiary of a single account?

# Portals for Advisors – Nevada SSgA

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The screenshot shows the SSgA Upromise529 website interface for financial advisors. At the top left is the logo "SSgA Upromise529" with "POWERED BY SPDR ETFs" below it. On the top right, there are links for "Contact us", "Forms", "FAQ", and "Log on", along with a button that says "open a 529 account". A navigation bar contains tabs for "get started", "features & benefits", "investment options", "organizations", "financial advisors" (which is highlighted), and "nevada residents". Below the navigation bar, the breadcrumb "Home » Financial Advisors" is visible. On the left side, there is an "ACCOUNT ACCESS" section with a lock icon, radio buttons for "Investor" and "Advisor", a "User Name" input field, a "Remember my username" checkbox, and a "CONTINUE" button. Below this are links for "IMPORTANT UPDATES TO YOUR UPRromise REWARDS ACCOUNT SCREEN", "Forgot your username?", and "Sign up for online access". The main content area features a large green banner with the text "Financial Advisors" and a sub-navigation bar with links for "investment options", "enrollment", "account access", "literature & forms", and "events". To the right of the banner is a vertical menu with links for "Investment Options", "Enrollment", "Account Access", "Literature & Forms", and "Events". Further right is a photograph of a child jumping with a red cape. Below the banner, there is a section titled "Why Offer SSgA Upromise Plan to Your Clients?" with a bulleted list of benefits: "Institutional asset management from State Street Global Advisors' Investment Solutions Group (ISG)", "Powered by SPDR® ETFs -- The underlying funds for the investment options offered in the plan are ETFs and, where applicable, an SSgA money market fund.", and "A low-cost fund option that allows for more efficient investment of account owners' portfolios." Below the list is a paragraph of text: "Recognized as an industry pioneer, State Street created the first ETF in 1993 (SPDR S&P 500 Ticker SPY). Since then we have sustained our place as an industry innovator through the introduction of many groundbreaking products, including first-to-market products with gold, international real estate, international fixed-income and sector ETFs." At the bottom of this section is another paragraph: "State Street is one of the largest ETF providers in the United States and abroad with more than 1,000 ETFs under management. Today our family of SPDR exchange traded funds". On the right side, there is a yellow box titled "Advisor Resources" containing a book cover for "SSgA Upromise 529 Plan: A Guide for Wealth Managers" and a link to "A Guide for Wealth Managers" with the text "Get answers to frequently asked questions that clients may have about the SSgA Upromise 529 plan." In the bottom left corner, there is a green callout box that says "YOU CAN NOW OPEN AN ACCOUNT WITH AS LITTLE AS". At the very bottom, there is a URL: "https://www.ssga.upromise529.com/content/homelogon\_fa.html".



# Portals for Advisors – Maryland

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**COLLEGE SAVINGS**  
PLANS OF MARYLAND  
Save here. Go anywhere.®

Search  Go

About Us

PREPAID  
COLLEGE  
TRUST

COLLEGE  
INVESTMENT  
PLAN

Plan  
Comparison

Current  
Customers

News &  
Events

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ENROLL TODAY

TAKE ME TO  
MY ACCOUNT.

WHAT'S NEW?

FORMS

FINANCIAL  
ADVISORS

VIDEOS:  
Our plans explained

I'M A PROUD  
GRANDPARENT  
Click here

I'M A NEW  
PARENT  
Click here

GIVE A GIFT

Save here. Go anywhere.

The College Savings Plans of Maryland is the easy, affordable and smart way to save for your child's education at nearly any college in the nation. Starting to save now is the best thing you can do to support their success in 5...10...or 18 years. We offer two distinct and flexible plans that will help you accomplish your goals and help give your child a head start. Also, they're the only 529 plans that offer a Maryland State income deduction for Maryland taxpayers. Very cool.

**Maryland Prepaid College Trust**

Backed by a Maryland Legislative Guarantee

2014-2015 Enrollment 12/4/2014 - 04/15/2015

**Maryland College Investment Plan**

Managed and underwritten by T. Rowe Price

Enrollment is Open All Year



Next Webinar

MARCH 10TH AT 7PM

REGISTER HERE

JOIN US IN ASKING CONGRESS TO  
PASS H.R. 529

www.collegesavingsmd.org

Explore the Plans...

| Link   | Description   |
|--|---|
| <a href="#">Plan Details for Financial Professionals</a> | Learn the details about the Plans in present options to your clients              |
| <a href="#">Tax Benefits</a>                             | Information about 1099-Qs and Maryland Administrative Release No. 32              |
| <a href="#">Advisor Q &amp; A</a>                        | Common questions asked by advisors  |
| <a href="#">Online Presentation</a>                      | 30-Minute online presentation given by Director detailing the Plans               |
| <a href="#">Ask A Question</a>                           | Send us a question or see recent answers to questions asked by Financial Advisors |
| <a href="#">Bulk Literature Order</a>                    | Request kits and brochures for your distribution                                  |
| <a href="#">Articles</a>                                 | Relevant articles on 529 Plans  |

# Program Management Trends

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- **Contract extensions push out expected RFPs**
- **No industry “exits” in last year**
- **New players continue to emerge**

# Program Management Trends Overview

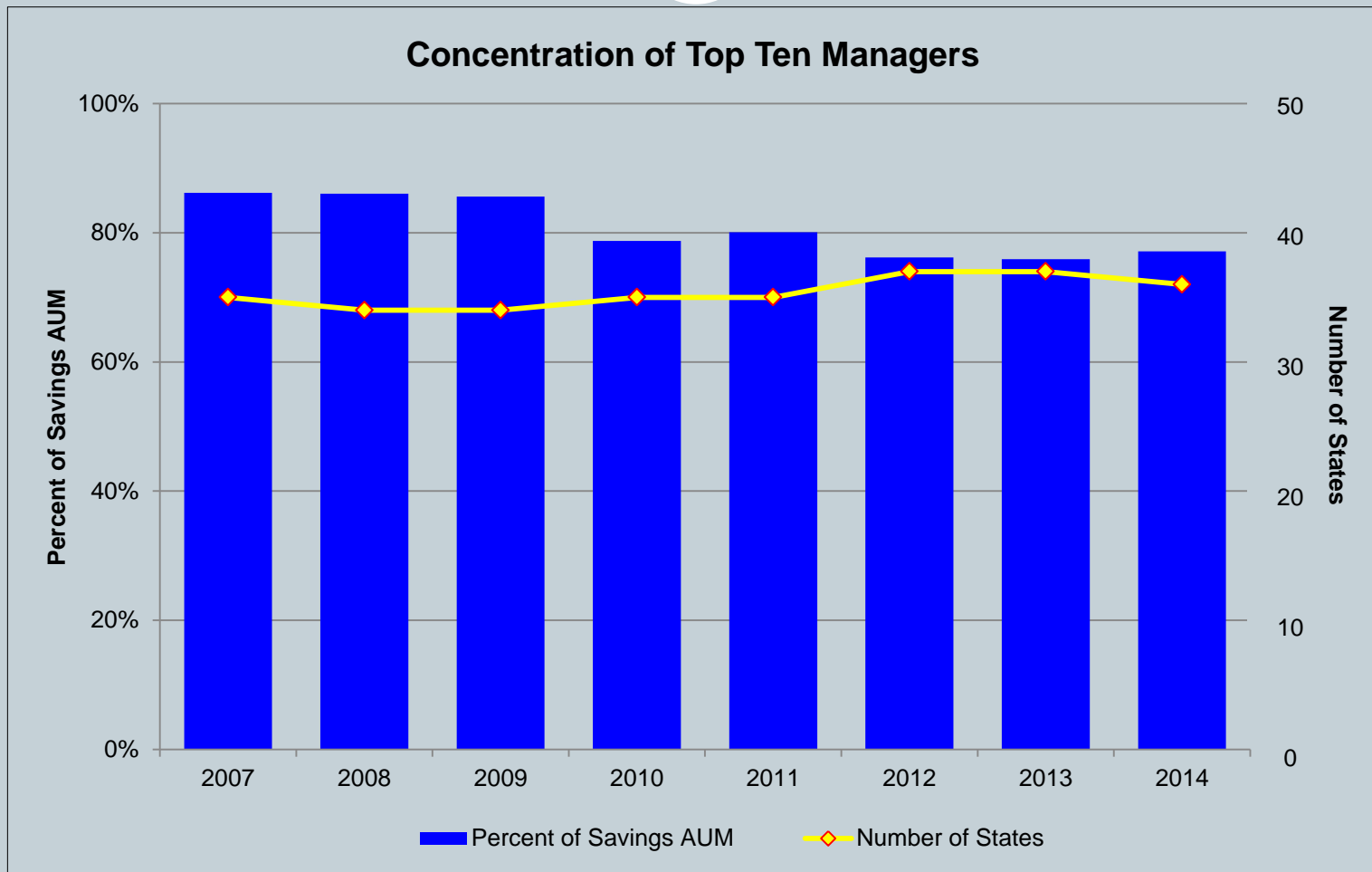
| Year | Re-Bids                        |                                |                        | Renegotiations                 |
|------|--------------------------------|--------------------------------|------------------------|--------------------------------|
|      | Not Rebidding                  | Retained                       | Replaced               |                                |
| 2010 | 1 Plan                         | 1 Plan                         | 3 Programs:<br>6 Plans | 1 Program:<br>2 Plans          |
| 2011 | <i>1 Program:<br/>2 Plans</i>  | 1 Plan                         | 1 Plan                 | 1 Plan                         |
| 2012 | <i>1 Program:<br/>2 Plans</i>  | 1 Program:<br>2 Plans          |                        |                                |
| 2013 | <i>2 Programs:<br/>4 Plans</i> | 1 Plan                         |                        |                                |
| 2014 |                                | <i>2 Programs:<br/>3 Plans</i> | 1 Plan                 | <i>7 Programs:<br/>8 Plans</i> |

# Program Management Trends Details

| Year | Re-Bids                                      |                                |  | Renegotiations  |
|------|--|--------------------------------|--|---|
|      | Not Rebidding                                | Retained                       | Replaced   |   |
| 2010 | OR Direct                                    | MO Direct                      | AL Direct / Advisor<br>MO Advisor<br>NB Direct / Advisor | RI Direct / Advisor   |
| 2011 | CA Direct / Advisor                          | NY Direct                      | NY Advisor   | GA Direct   |
| 2012 | WI Direct / Advisor                          | SC Direct / Advisor<br>Prepaid |  |   |
| 2013 | IA Advisor<br>TX Direct / Advisor<br>Prepaid | MI Direct                      |  |   |
| 2014 |  | MN<br>NM Direct / Advisor      | VT Direct  | CO Direct<br>MN Direct<br>OH Direct<br>OK Direct<br>OR Direct<br>PA Direct<br>SD Direct / Advisor |

# Manager Concentration Trends

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Sources: CSPN data as of each year but for specific information provided by Arizona, Maine, South Carolina, South Dakota and Washington, D.C.

# Some Expected Contract Terms

| 2015   | 2016  | 2017  |                           |
|--|---|---|---------------------------|
| Arizona – Waddell                                    | Arizona - College Bank                              | <b>Arkansas - Direct</b>                              | <b>Michigan – Direct</b>  |
| Washington, DC                                       | <b>California</b>                                   | Arkansas – Advisor                                    | Nebraska                  |
| <b>Hawaii</b>  | <b>Georgia</b>                                      | Colorado – Stable Value                               | Oregon – Advisor          |
| <b>Illinois - Bright Directions</b>                  | <b>Kansas</b>                                       | Connecticut - Advisor                                 | South Carolina            |
| Maryland   | <b>Mississippi</b>                                  | <b>Idaho</b>  | West Virginia             |
| Nevada – Putnam                                      | <b>Missouri</b>                                     | <b>Illinois – Bright Start</b>                        | <b>Wisconsin – Direct</b> |
| Rhode Island   | <b>Pennsylvania</b>                                 | Iowa – Direct   | Wisconsin - Advisor       |
| <b>9 States</b><br>4 Direct Plans<br>5 Advisor Plans | <b>7 States</b><br>8 Direct Plans<br>2 Advisor Plan | <b>14 States</b><br>11 Direct Plans<br>8 Advisor Plan |                           |

# Investment Option Observations

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- **TIPS-based investments appear more frequently as individual options**
- **More Plans include Real Estate as an Asset Class**
- **ETFs have made headway**
- **International Equity and Emerging Markets are increasingly included in asset allocation strategies**

# Contact Information

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**646 218 9864 - office**  
**917 865 2169 - cell**



# Investment Considerations in College Savings Plans

2015 College Savings Foundation Conference

March 4, 2015

Massi De Santis, Vice President

# Agenda

1. A Research-based Framework
2. Asset Allocation Considerations for College Savings
3. Resources & Future Research
4. Handout:
  - Graduating to the Next Level, Reprint, Winter 2015, DC Dimensions

# A Research-based Framework

## Relevant Retirement-Focused Research

**Financial Planning**

**How Much Retirement Income Is Enough?**  
Understanding how to arrive at a target replacement rate.  
By Marina Lee

*Reprinted from the November 2011 issue of Defined Contributions Insights, with permission from the FPA.*

**U**nderstanding how to arrive at a target income replacement rate in retirement can be helpful for future retirees and plan sponsors alike. This study, conducted by Dimensional Fund Advisors, provides a framework for how to arrive at a target replacement rate that will allow a household to maintain its pre-retirement standard of living. We consider actual spending patterns of thousands of U.S. households, while also taking into account uncertainty in investment outcomes and career paths, and draw conclusions about the feasibility of defined contribution plans as a primary source of retirement income for future retirees.

**Tailoring Replacement Rates**  
How much retirement income is “enough”? The answer to this question will depend on a household’s unique needs and retirement goals. However, if we define successful retirement planning as the ability to maintain one’s pre-retirement standard of living, common financial advice recommends that households target 75% to 85% of pre-retirement income. While this rule of thumb can be a useful starting point, understanding how to arrive at a target replacement rate can be helpful for future retirees and plan sponsors alike. These research on retirement planning should understand what is “typical” for households with similar characteristics. This is an improvement over “one-size-fits-all” financial advice. The planning process should also include a checkup for how one might adjust the recommended replacement rate to fit unique situations.

For plan sponsors, understanding what replacement rate is appropriate for their participants is critical to be able to assess the adequacy of the plan. Benchmarking plans without considering for participant characteristics might lead to faulty conclusions about retirement readiness.

The purpose of this study is to provide a framework for how to arrive at a target replacement rate that will allow a household to maintain its pre-retirement standard of living. The study considers actual spending patterns of thousands of U.S. households, while also taking into account uncertainty in investment outcomes and career paths, and draw conclusions about the feasibility of defined contribution plans as a primary source of retirement income for future retirees.

**The Framework**  
Common sense tells us that most people need to replace less than 100 percent of their gross pre-retirement income. While working, all income goes to one of three things: taxes, savings, or spending. However, retirees

also taking into account uncertainty in investment outcomes and career paths. The results indicate that replacement rates can vary widely, from less than 60% for highly compensated employees to more than 80% for low wage earners. By comparing the prescribed results to actual participant behavior, we can draw conclusions about the feasibility of defined contribution plans as a primary source of retirement income for future retirees.

But do we have a good answer? First, it is important to note that simple rules of thumb do not work for many people. When planning for retirement, income uncertainty can be substantial, in a one-size-fits-all solution is unlikely to work. In particular, the saving rate that works well on average does not work well for people with steep income trajectories or high income variation over their working life – the very people who may need to rely more on personal savings.

We have found that what works is a tailored solution that incorporates characteristics of each household. Specifically, dynamic approaches that take more information into account can improve retiree success rates. One crucial piece of information is household income. We derive income-based saving rates that work across many income profiles, particularly for high-income, high-variability individuals. As income changes over time, individuals increase

their saving rates as income grows, with downward adjustments if income declines. Following this rule, different individuals at different stages of their careers (or different income levels) will have different saving rates.

Saving rates that depend on income levels make sense: Households with high income during their working years have more income that needs to be replaced during retirement. The willingness and ability to save also tend to rise with income. A dynamic approach to saving accommodates changing retirement needs and savings capacity.

Our simulation account for uncertainty in both income and investment returns. We simulate potential career paths for 100,000 households using data from the PSID, the largest longitudinal dataset on income and other demographics in the world.<sup>1</sup> Savings are invested in a mix of Treasury bonds and global equities, following these alternative allocation strategies. Equity and bond returns are bootstrapped using historical data.

We use our simulation to study the impact of income, saving rates, and age on retirement outcomes. Throughout the paper, we define successful outcomes as achieving a targeted replacement rate with a high degree of confidence. We find that saving consistently and successful retirement is crucial to a successful retirement.

Increasing the probability of achieving goals is relatively costly in terms of higher saving rates, and so is deferring saving. Finally, we show how higher rates can be adjusted at various intermediate ages, based on accumulated assets, to both monitor performance and improve success probability.

**Step 1: How Much to Replace**  
The first step to determine an appropriate saving rate is to estimate how much retirement spending will be financed with retirement savings. While this estimate is specific to each individual, general guidelines about reasonable replacement rates are available.

Replacement rates are generally less than 100% of pre-retirement income because spending needs to decline with age, households tend to pay less tax in retirement, and saving for retirement is no longer required. These three factors become increasingly important as income rises. Lee (2012) shows that high earners use the most dramatic spending declines to retirement. They also have higher tax rates and, as we show in this paper, need to save more for retirement.<sup>2</sup> As a result, replacement rates tend to be lower for higher-income households.

Exhibit 1 shows replacement rates from Lee (2012). As a percentage of gross, pre-retirement income, replace-

**Figure 1: Replacement rates should be less than 100%**

1. According to IRR, a significant number of participants exhibit extreme equity or fixed income allocations. As of 2011, 49.4% of all investors held a zero allocation to equities. Further exploration by age cohort finds a similar concentration: 61.7% of those in the 20-29 age cohort had zero allocation to equities, followed by 50.4% (20-24), 44.7% (25-29), 44.4% (30-34), and 50.0% (35-39). Source: IRR, IRR Data Brief, 4/16/11 Plan Asset Allocation, Account Statistics, and Law Alerts in 2011, December 2011, Figure 16.

2. Dimensional Managed DC is a managed account solution available through Dimensional SEC SmartFund LLC, an investment advisor registered with the US Securities and Exchange Commission and an affiliate of Dimensional Fund Advisors LP.

**Plan Design**

**How Much Should I Save for Retirement?**  
Tailoring strategies for each participant.  
By Marina Lee and Measi De Sants

*Reprinted from the September/October 2011 issue of Defined Contributions Insights, with permission from the FPA.*

**H**ow much should I save to prepare for a comfortable retirement? Most people ask questions like this: How much should I save at some point in their working life (especially, relatively only). With the continued shift toward defined contribution plans, future retirees are being asked to take on more responsibility for their retirement outcomes than in the past. So the question of vital importance. But do we have a good answer?

First, it is important to note that simple rules of thumb do not work for many people. When planning for retirement, income uncertainty can be substantial, in a one-size-fits-all solution is unlikely to work. In particular, the saving rate that works well on average does not work well for people with steep income trajectories or high income variation over their working life – the very people who may need to rely more on personal savings.

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Exhibit 1 shows replacement rates from Lee (2012). As a percentage of gross, pre-retirement income, replace-

**Dimensional Lifecycle Solutions**

January 2014

There is substantial evidence that many defined contribution plan participants exhibit suboptimal investing and savings behaviors.<sup>1</sup> Dimensional believes comprehensive, professionally defined default solutions would best serve these participants. At the same time, it is also imperative to identify participants' goals, needs, constraints, and considerations when deciding on an optimal default solution. Participant satisfaction, therefore, comes from having the right investment approach to meet a desired retirement goal.

The following are common objectives of a goal-based investment approach:

- **Preservation of financial capital.** With this goal, short-term, high-quality fixed income is the most reasonable investment strategy for participants who may have achieved their capital needs and now want to preserve it until consumed (or retained as a "just-in-case" reserve).
- **Targeting an income level in retirement.** A customized managed account solution, such as Dimensional's Managed DC,<sup>2</sup> may be the best option to meet this goal. Managed DC addresses financial capital similar to a defined benefit plan, targeting a participant's desired income level.

Dimensional's lifecycle solutions consider not only age and retirement date but also factors such as financial and human capital, risk, and the effects of inflation on purchasing power in retirement.

- **Maximizing the wealth of current retirement savings, with risk constraints.** When the goal is to manage the risk/reward tradeoff of current savings (financial capital), risk-based portfolio can be the best choice. These portfolios typically allocate between equities and fixed income as they seek to achieve an investor's wealth maximization goal.
- **Maximizing the wealth of total retirement capital, with risk constraints.** If the goal is to manage total capital, both current financial capital and the future savings power of human capital, a lifecycle solution that takes both into account may be the most efficient and cost-effective approach. This paper is focused on such a retirement savings approach.

1. According to IRR, a significant number of participants exhibit extreme equity or fixed income allocations. As of 2011, 49.4% of all investors held a zero allocation to equities. Further exploration by age cohort finds a similar concentration: 61.7% of those in the 20-29 age cohort had zero allocation to equities, followed by 50.4% (20-24), 44.7% (25-29), 44.4% (30-34), and 50.0% (35-39). Source: IRR, IRR Data Brief, 4/16/11 Plan Asset Allocation, Account Statistics, and Law Alerts in 2011, December 2011, Figure 16.

2. Dimensional Managed DC is a managed account solution available through Dimensional SEC SmartFund LLC, an investment advisor registered with the US Securities and Exchange Commission and an affiliate of Dimensional Fund Advisors LP.

## Research Focus:

- Income Replacement Rates, or the "Goal"
- Savings Rates necessary to meet the Goal
- Implementation, or asset allocation

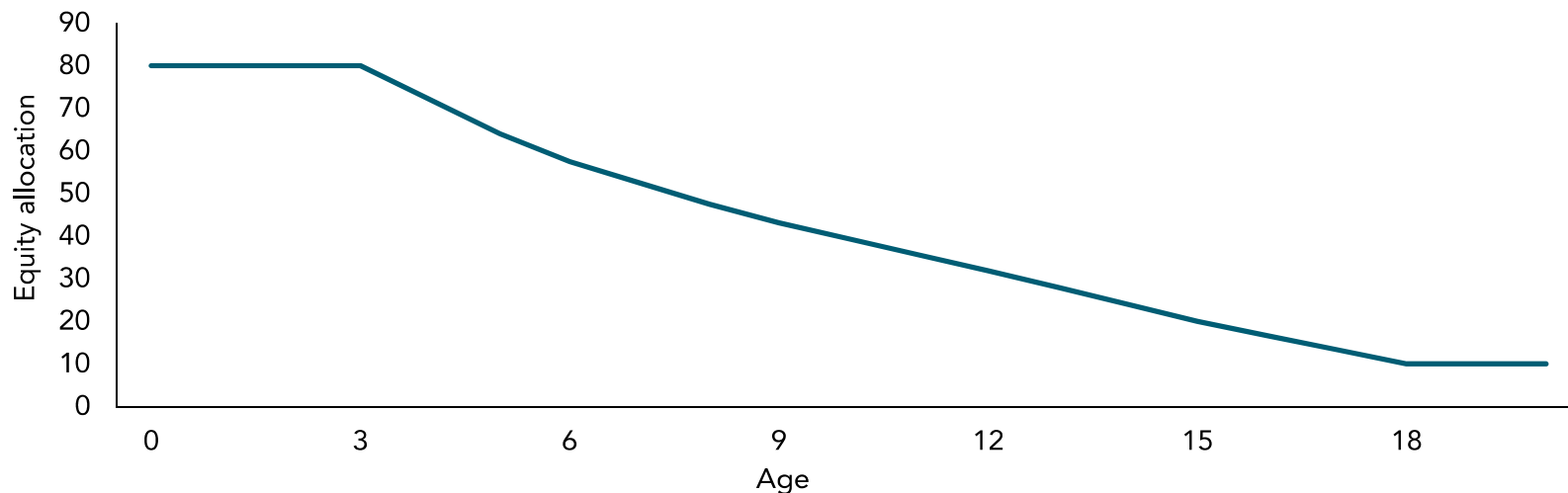
# Asset Allocation Considerations

## Glidepath Design

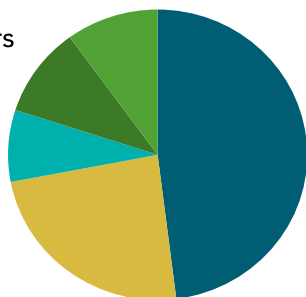
- Choice of options: simplification
- Age based models
  - Similarity to Target Date Funds?
  - The role of the Investment Goal
  - Risk preferences and flexibility
- Expected future cost of education?
  - Considerations for TIPS
    - CPI vs. HEPI (highly correlated)
  - The role of a “home bias”
- How much risk is too much risk?

# Investing for College

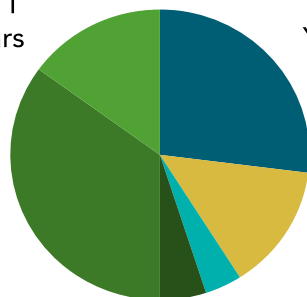
Example of a purposeful asset allocation



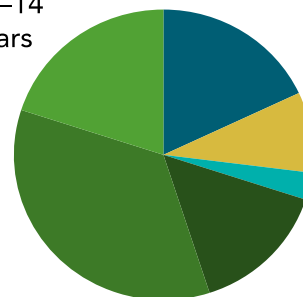
0-3  
Years



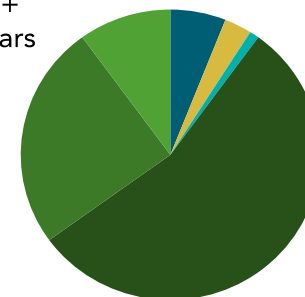
8-11  
Years



12-14  
Years



18+  
Years



- US Equity
- International Equity
- Emerging Markets Equity
- Short Term Fixed Income
- Intermediate Fixed Income
- Inflation Protected Securities

# Other Investment Considerations

## Costs vs. Benefits

- Administrative, Program Management, Fund Management
- Tax Benefits
- Scale
- Fees
- References:
  - <http://corporate.morningstar.com/us/documents/529Reports/529-Plan-Ratings-Chart.pdf>
  - <http://corporate.morningstar.com/us/documents/529Reports/529Landscape2013.pdf>

# Other Investment Considerations

## Structure

- Closed vs. Open Architecture
- IPS
- The role of the Program Manager

## Elements of a Well Designed Plan

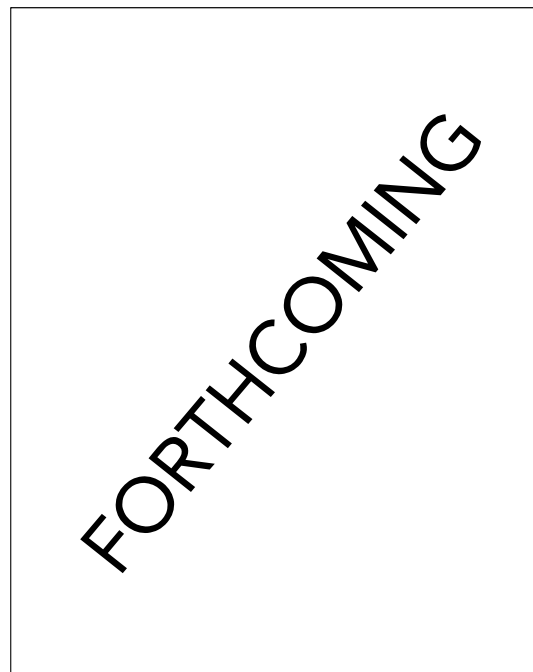
- Forward Looking
- Thoughtful Asset Allocation
- Disciplined Fund Selection
- Cost Sensitive
- Options based of risk appetite and preferences for active versus passive management
- Transparency
- The role of information

# Resources and Future Research



## “Graduating to the Next Level “

- Evolution of Plan Design
- Spotlight on Fees
- Partnerships
- Risk & Reward



## “How Much Should I Save For College?”

- The Goal
- Requisite Savings Needs
- Implementation
  - Individual Options
  - Asset Allocation Considerations

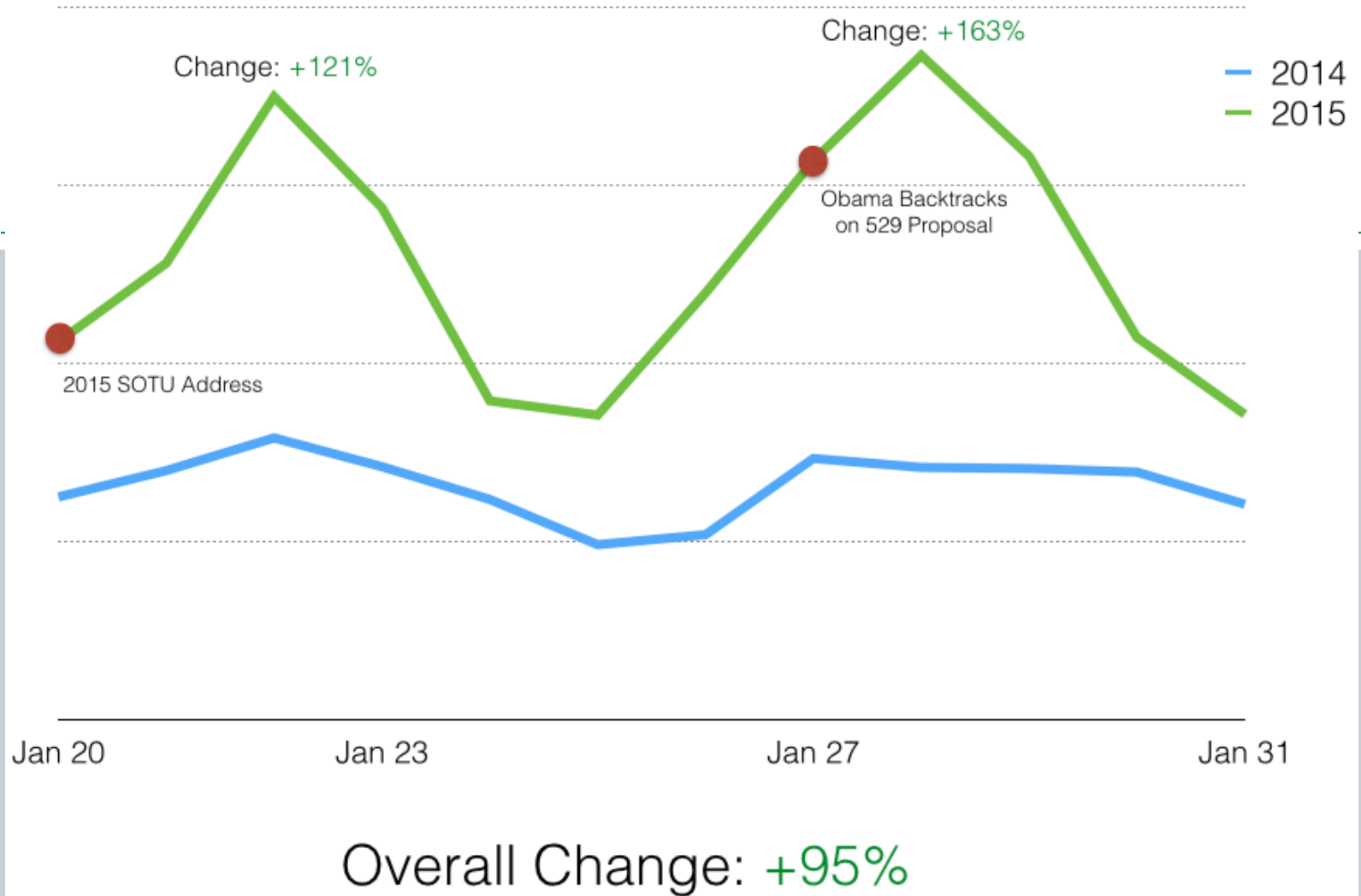


# Future 529: What Can We Anticipate?



**Joe Hurley**  
**College Savings Foundation**  
**March 2015**

# Traffic to Savingforcollege.com



# Include Computer Technology in QHEE



- Current bill
  - HR 529
- Prior bills (introduced & failed)
  - 2009: HR 1351
  - 2011: HR 529
  - 2014: HR 4333
- Lobbying/editorial
  - CSF (2013), CSPN (2007)

# Eliminate Distribution Aggregation



- Current bill
  - HR 529
- Prior bills (introduced & failed)
  - 2014: HR 4333
- Lobbying/editorial
  - CSPN (2008)

# Redeposit 529 Funds After Withdrawal



- Current bill
  - HR 529
- Prior bills (introduced & failed)
  - 2014: HR 4333
- Lobbying/editorial
  - CSPN (2008)

# Means-testing 529 Contributors



- **Current bills**
  - None, proposed amendment to HR 529 in W&M was defeated
- **Prior bills**
  - None
- **Lobbying/editorial**
  - Washington Post (Jan. 25, 2015)

# Savers Credit to Include 529 Contributions



- **Current bills**
  - None
- **Prior bills (introduced & failed)**
  - 2009: HR 1351
  - 2011: HR 529
  - 2013: HR 529
- **Lobbying/editorial**
  - CSPN (2007)
  - CSF (2013)

# Increase # of Investment Changes



- **Current bills**
  - None, 2X per year enacted with tax extenders bill effective 2015
- **Prior bills (introduced & failed)**
  - 2009: HR 1351 (2X)
  - 2011: HR 529 (4X)
  - 2014: HR 4333 (4X)
- **Lobbying/editorial**
  - CSPN (2007) (2X or 4X)
  - CSF (2013) (unspecified #)



# 529/Roth Portability



- **Current bills**
  - None
- **Prior bills**
  - 2014: HR 1351 (max. \$25K)
- **Lobbying/editorial**
  - Savingforcollege.com (since 2007)
  - Kantrowitz (2015)
  - Others

# Pre-tax Employer Contributions



- **Current bills**
  - None
- **Prior bills (introduced & failed)**
  - 2011: HR 529 (\$600 limit)
  - 2013: HR 529 (\$600 limit)
- **Lobbying/editorial**
  - CSPN (2007)
  - Kantrowitz (2015) (\$5,250 limit)

# Expand Definition of QHEE



- **Current bills**
  - None
- **Prior bills (introduced & failed)**
  - 2009: S. 1120 (tie to Cost of Attendance)
- **Lobbying/editorial**
  - CSPN (2008) (tie to Cost of Attendance)
  - Savingforcollege.com (2001) and Kantrowitz (2015) (repayment of student loans)

# White House Middle Class Task Force (2009)



- Require age-based index-fund options
- Eliminate home-state bias
- Per beneficiary contribution limits
- Improve transparency
- Additional monitoring and compliance
  - Also debated at 2015 W&M Committee

# CSPN (2008)



- Include more schools as eligible educational institutions
- Allow GI Bill benefits to go into 529 plans
- Some other things

# Kantrowitz (2015)



- Exclude all 529 accounts from FAFSA
- Replace prepaid plans with guaranteed options
- Federal match of state/local matches
- Include K-12 expenses
  - Also see 2012 HR 5932 (Buerkle R-NY)

# Savingforcollege.com



- Permit donation of excess 529 funds to colleges and 501(c)(3) scholarship programs

**Thank You!**

**Joe Hurley**

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