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FOR IMMEDIATE RELEASE

Prepaid 529 Plans Offer Stable Opportunity to Save for College

LEXINGTON, Ky. (June 7, 2010) – Prepaid 529 college savings plans remain a stable, secure way for families of all income levels to save for college, the College Savings Plans Network (CSPN), a non-profit association that advocates for 529 college savings plans, announced today. Higher than projected tuition increases, combined with low investment earnings during the 2008 market decline, challenged the performance of some plans in 2009. However, new data reveals that prepaid plans across the country are stable and continue to be a conservative, reliable strategy for saving for college.

Thirteen states currently offer Prepaid Tuition Plans or Guaranteed Savings Plans, which enable families to purchase contracts or units at a set price which will cover future college tuition when the beneficiary is in college. Benefits for all prepaid programs may be used at any qualified educational institution anywhere even though the specific promise to cover full tuition may be limited to certain schools. Five states that concluded their annual enrollment periods during the first half of 2010 – Maryland, Nevada, Texas, Virginia and Washington – each have an actuarial funded status between 90 and 105 percent, meaning programs are in a strong position to honor their long-term commitments.

“Data from the first half of this year demonstrates that prepaid 529 college savings plans continue to be one of the most beneficial ways for families to plan ahead and save for college,” said Joan Marshall, Chair of CSPN and Executive Director of College Savings Plans of Maryland. “While some prepaid plans were challenged with unexpected tuition spikes during the economic downturn, every state sponsoring a prepaid plan has continued to pay the promised tuition benefits to enrollees and they remain a reliable option for risk-averse families seeking effective savings plans to send their children and grandchildren to college.”

Five Tips for Prepaid 529 Plan Investors

Understand how your prepaid plan works. Generally, prepaid plans allow investors to buy future college credits at a current price to be paid when the beneficiary is in college; however, prepaid plans operate differently from state to state. Therefore, it is important for investors to research the details of their plan. Since prepaid plans are a type of 529 plan, families can generally roll over funds from a 529 savings plan to a 529 prepaid plan – or vice versa.

Know how your prepaid plan is backed by its state sponsor. Massachusetts, Mississippi, Ohio, the original Texas prepaid plan and Washington provide a “full faith and credit” state guarantee, the strongest level of guarantee for a 529 plan. Prepaid plans offered by Florida, Illinois, Maryland, South Carolina and Virginia are backed by a legislative or statutory guarantee, meaning that state legislatures are required to consider alternative funding if a plan is unable to pay promised tuition benefits. Although this does not formally bind legislatures into the future, it does mandate formal consideration and allows participants to make their voices heard with their elected state representatives. It also provides families with an added measure of assurance uncommon with most other forms of investing.

Estimate the amount of tuition your plan is projected to pay. Many prepaid plans project future tuition benefits for children of various ages today, and even compare that projection to the prices charged in their prepaid plan. It’s not uncommon for the cost of a prepaid plan for a beneficiary who is five years old today to be 30 – 50 percent of the amount the plan projects to pay in future tuition benefits when the child turns 18. Investors should understand how much they expect to receive, both when considering enrolling in a prepaid plan and while managing their investment.

Before enrolling, consider all factors used to calculate the price. In addition to the current cost of tuition at the state’s public colleges, states typically use projections for future tuition increases, projected plan earnings, administrative expenses, as well as other factors and projections to support the actuarial soundness of its plan.

Evaluate your losses before withdrawing. If considering withdrawing from a prepaid plan, investors should compare how much money would be refunded from the account, with an estimate of the tuition benefits if they were to stay in the plan. Investors should then evaluate other available options for investing the funds, considering the level of risk associated with alternative investment strategies and the projected return.

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About College Savings Plans Network (CSPN)

College Savings Plans Network (CSPN) is a leading voice for Section 529 College Savings Plans, one of the most popular, convenient and tax-advantaged ways to save for college. CSPN is a not-for-profit association affiliated with the National Association of State Treasurers (NAST) that brings together state administrators of 529 savings and prepaid plans as well as their private sector partners. Information that families of all income levels can use to make informed saving decisions is available on CSPN’s Web site, www.CollegeSavings.org.