529 DISTRIBUTION ANALYSIS 2015

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Paul Curley, CFA, joined Strategic Insight (SI) as a research analyst in 2008 and currently oversees college savings market research for institutional clients. He is the primary contact for data aggregation and analysis of 529 savings plans, 529 prepaid plans and distribution channels.

He authors SI's 529 Quarterly Update, an in-depth analysis of the college savings market; blogs on the college savings market for SI's 529 College Savings Views on the News; and manages quarterly publications of SI's 529 Industry Data Update and 529 Quarterly Fee Analysis. He is also the Editor-in-Chief of the 529 Dash, a weekly e-newsletter for financial advisors.

Paul conducts ad hoc research for 529 plans and discusses market issues with leading program managers. He speaks frequently on topics in the college savings market at industry conferences and with major news publications and media outlets, including The Wall Street Journal, Investment News, SmartMoney, Advisor Perspectives and Ignites. He is also the principle contact for SI's membership with the College Savings Foundation and College Savings Plan Network.

Before joining Strategic Insight, Paul was at Loomis, Sayles & Company, L.P. as a fixed-income operations analyst for retail mutual funds and institutional and high-net-worth investment products. He also worked in the global treasury and custody fund accounting areas of Investor's Bank and Trust.

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CHAPTER ONE HISTORICAL CHANNEL SIZING AND TRENDS

I. INTRODUCTION

This study provides actionable guidance for increasing adviser-sold, employer-sold and direct-sold usage of 529 products. Strategic Insight's sixth college savings distribution study is based primarily on a new and deeper proprietary survey of financial advisers conducted in the fall of 2015 and insights from interviews with broker-dealer home office product support and executives who oversee fleets of financial advisers.

Additionally, this year's study provides a broader longitudinal analysis by comparing 2015 results to prior Strategic Insight adviser surveys done in 2009, 2011, 2012, 2013 and 2014. The longer time period allows us to analyze whether the advisers are "getting the message" and what more they need to increase sales of 529s. The study also includes data from a 2015 Strategic Insight 529 proprietary survey of consumers, as well as recent PLANADVISOR and PLANSPONSOR surveys. Based on information collected from advisers, families and institutions, the last chapter examines the key components of a strategic distribution roadmap to reengage current distribution channels and expand into new ones.

This year's report details initiatives that 529 product providers can execute to add value in the intermediary channel broadly. Additionally, the report will segment survey responses by adviser business model and channel where material differences exist. Strategic Insight will also review a number of new topics identified as key drivers and questions by the 529 market participants, and provide takeaways to help product providers increase adviser usage of college savings plans.

Chapter One starts with a broader overview of 529 market sizing trends before transitioning to the specific advisor level perspective. Strategic Insight's 529 industry market sizing and trends illustrate why it is important to reengage and reenergize the intermediary channel in order to maximize industry growth over the long term. The body of this chapter closes with an explanation of the Strategic Insight 2015 adviser survey methodology and a profile of the adviser sample group. Finally, Chapter One and the other chapters throughout the study provide a list of key takeaways.

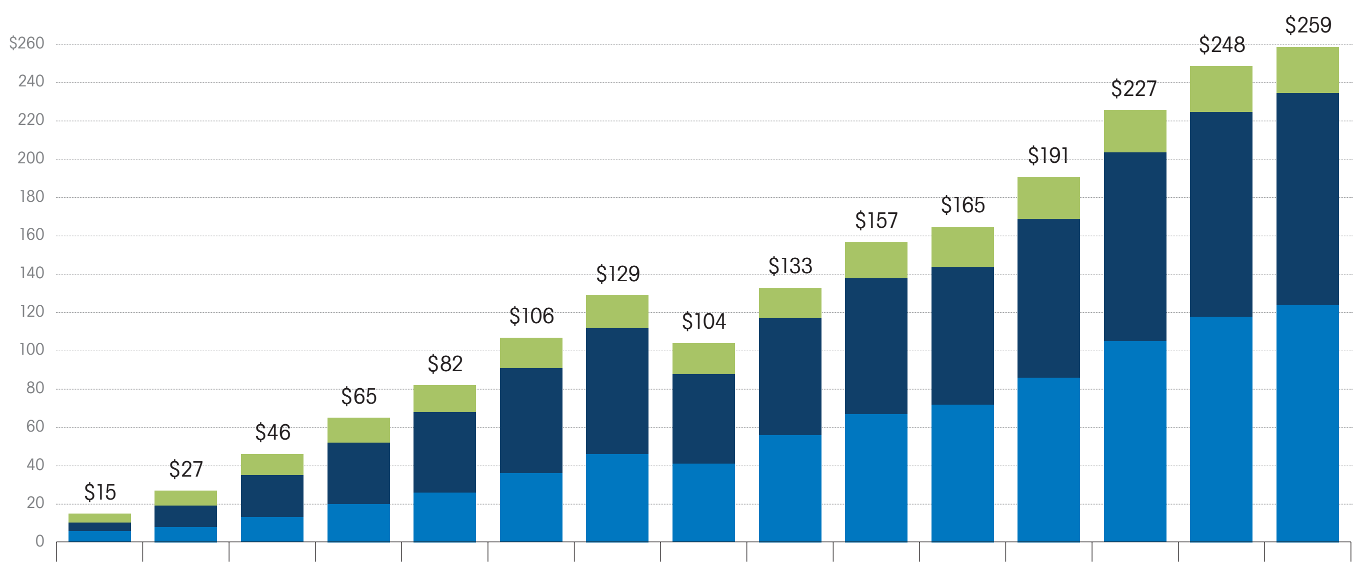
II. 529 MARKET SIZING TRENDS

Assets in 529 savings plans continue to reach year-over-year record highs and net flows continue to be positive, which creates additional long-term momentum. However, product providers and distributors will need to find the next wave of investors in order to sustain the current long-term growth trajectory. Even as net flows and asset data are positive, growth in gross distributions is outpacing growth in gross contributions and even tripled from 2008 to 2015. The 529 industry has grown to $258.5 billion as of the end of 2Q 2015, which is an all-time high and 99.8% higher than the pre-2008 year-end high of $129.4 billion in 2007. Exhibit 1-1 reflects the 529 industry's assets under management since 2001.

Since 2005, the 529 direct-sold channel has grown faster than the adviser-sold channel. Exhibit 1-2 shows three-year compound annual asset growth rates for both channels. The difference in growth rates between the channels peaked in 2008 at 12%, but has since decreased in growth rate difference to 10% in 2010 and

Exhibit 1-1

Assets in 529 Plans, 2001–2Q 2015 ($ Billions)

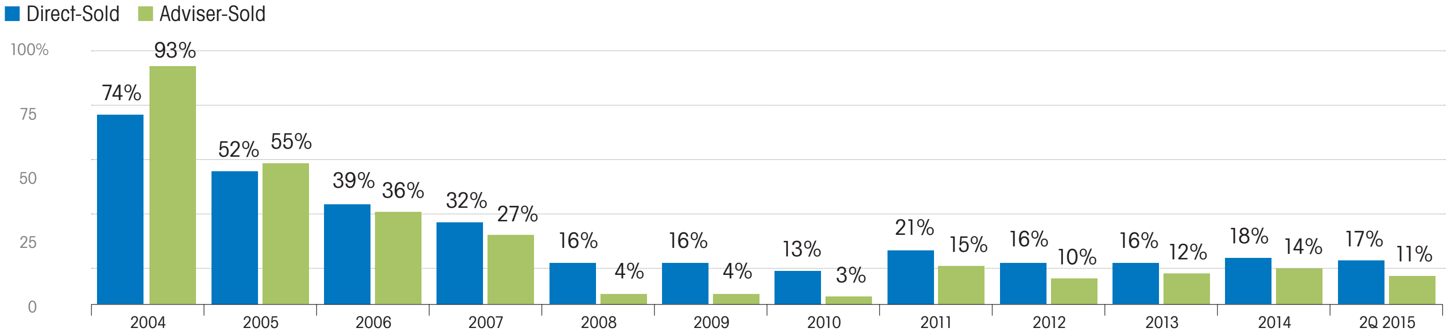


	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2Q 2015
Prepaid	7	8	11	13	14	16	17	16	16	19	21	22	23	24	24
Advisor-Sold	4	11	22	32	42	55	66	47	61	71	72	83	99	107	111
Direct-Sold	4	8	13	20	26	36	46	41	56	67	72	86	105	118	124

Source: Strategic Insight.

Exhibit 1-2

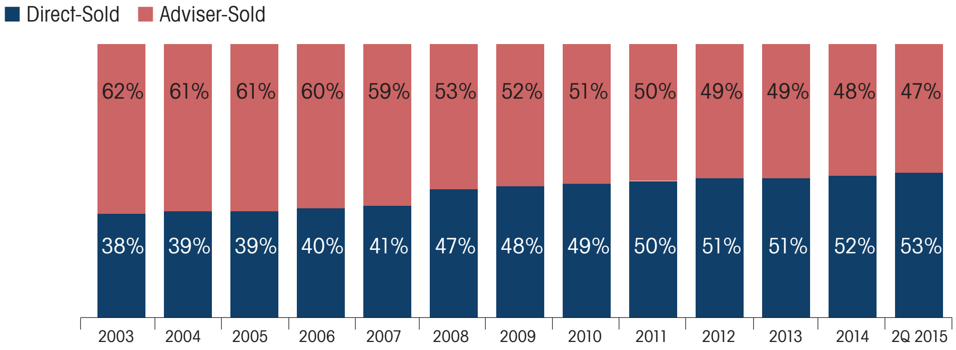
529 Savings Plan Assets, Three-Year Compound Annual Growth Rates by Channel, 2004–2Q 2015



Source: Strategic Insight.

Exhibit 1-3

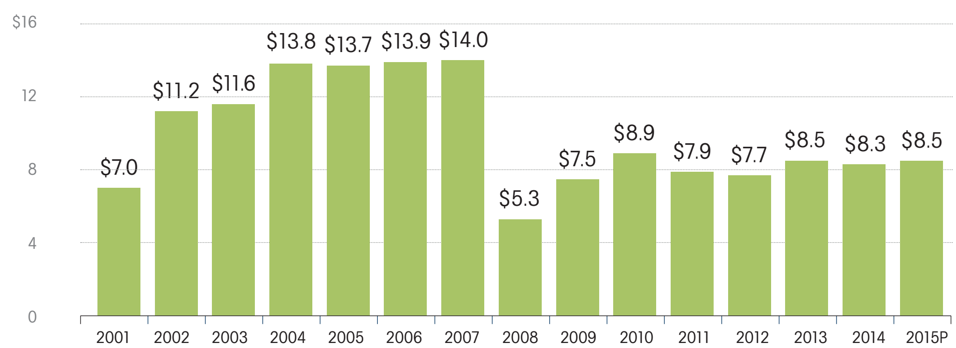
529 Savings Plan Asset Breakdown by Distribution Method, 2003–2Q 2015



Source: Strategic Insight.

Exhibit 1-4

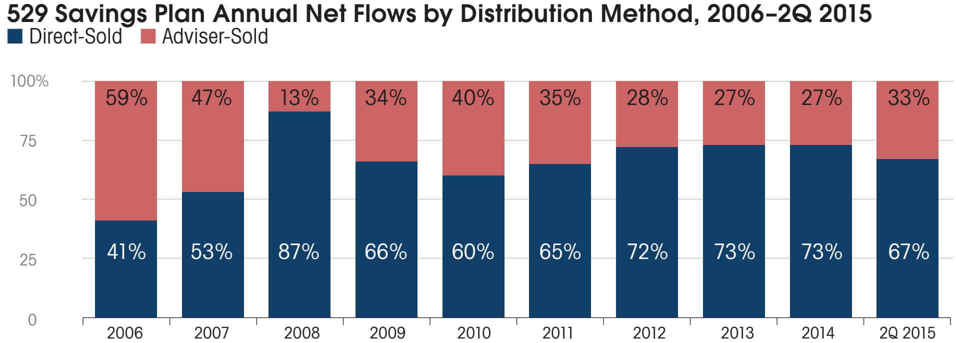
529 Savings Plan Annual Net Flows, 2001–2015 ($Billion)



Source: Strategic Insight; P=Projected.

Exhibit 1-5

529 Savings Plan Annual Net Flows by Distribution Method, 2006–2Q 2015



Source: Strategic Insight.

4% in 2014. Momentum towards the direct-sold channel continues, but the differential in rate has become narrower.

Despite the change in growth rate by channel, the direction of the momentum continues in the same direction for both channels. This parallel shows that reenergizing the adviser-sold segment is important to the long-term growth of the overall 529 industry. Exhibit 1-3 illustrates how assets under management in plans sold by advisers have been steadily declining year-over-year in comparison to direct-sold assets. The adviser channel accounted for 62% of the 529 savings plan industry assets in 2003, but only 47% as of 2Q 2015.

One key factor in industry asset growth rate is net flows. Exhibit 1-4 reflects positive net flows across all years, which confirms that 529s solidify an advisor's book of business through all market and business cycles. Exhibit 1-5 reports how the industry-level total net flows were produced by distribution method, which reflects momentum towards the direct-sold channel since 2006. This shift in net flows beginning in 2006 aligns with the shift in asset growth rates (Exhibit 1-2), and with the direct-sold channel accounting for the majority of assets in 2012 (Exhibit 1-3). In summary, while the 529 industry has been growing overall, direct-sold plans continue to receive a majority of the net flows.

The growth of the intermediary channel will be critical to the future of 529s. Even though many 529 plans are direct-sold, financial advisers play an important role in enrollment and maintenance of college savings plans. According to the consumer survey undertaken as part of the "Strategic Insight 529 Industry Analysis, 2015" study, 32% of consumers in a 529 plan were influenced to enroll by their advisers in 2015, compared to 29% in 2014, 27% in 2013 and 34% in 2012. This includes cases where a financial adviser enrolled consumers and where consumers enrolled on their own, but under the guidance of financial advisers. Additionally, advisers continue to be a top source of information for investors and they are expected to continue to be an important resource for consumers as tuition inflation and student loan debt continues in make headline news. Therefore, channel asset growth rates do not fully reflect the involvement and influence of financial advisers as they also drive growth in direct-sold plans.

In order for the adviser-sold channel to regain comparative asset accumulation momentum again and for direct-sold product providers to capture the momentum among advisers and especially RIAs, providers need to drive net flow growth through product management enhancements. That is, focus on features that align with adviser support, selection and distribution preferences, solving the pain points and lowering the hurdles for all advisers. In order to help product managers develop that strategic roadmap, Strategic Insight executed a deeper and more expansive dive in our 2015 survey of financial advisers and completed a number of interviews with broker-dealer home office product support and executives who oversee fleets of financial advisers.

III. METHODOLOGY

In the fourth quarter of 2015, SI surveyed 250 advisers across the United States, spanning all types of distribution channels, compensation models, tenure ranks and asset levels. All participating advisers were "active" as of October 2015, meaning that they gave a positive answer to the question, "[Are you] a producing financial adviser; that is, do you sell or recommend investments for a fee or commission?" Responses were confirmed online via regulatory sites including FINRA BrokerCheck. Only completed surveys are included in the data analysis.

Additionally, all participating advisers were active in the college savings process, meaning they gave a positive answer to the question, "Do you provide education-related financial planning services? (e.g., 529 college savings plans, Coverdell's, etc.)."

While the group was not weighted to match the demographics of the national adviser population, it is diverse enough to guide product providers on the selection, support and distribution preferences of a variety of college financial planning advisers.

A. Profiles of Adviser Sample Group

Advisers who participated in our survey had similar demographics to the larger adviser population in terms of channel, tenure, AUM, and compensation model. (See Appendix A for the complete questionnaire.)

Exhibit 1-6

Adviser Survey 2015

Survey Respondents' Business Models	
Financial adviser working for a wirehouse	45%
Financial adviser working for a regional broker/dealer	10%
Independent RIA	22%
Financial adviser working for an independent broker/dealer	16%
Financial adviser working for an insurance company	3%
Investment representative working for a trust, bank, credit union or savings & loan	4%
Client Base	
Retail investors	23%
Both Retail and institutional investors	77%

Source: Strategic Insight.

Exhibit 1-7

Survey Respondents by Compensation Model, AUM and Tenure

Compensation Model	
100% transactional	6%
75% transactional, 25% fee-based	17%
50% transactional, 50% fee-based	34%
75% fee-based, 25% transactional	36%
100% fee-based	7%
Asset Under Management	
Less than $10 million	9%
$10 million but less than $25 million	9%
$25 million but less than $50 million	18%
$50 million but less than $100 million	21%
$100 million but less than $150 million	17%
$150 million or more	22%
Declined to answer	4%
Tenure	
1–5 years	7%
6–10 years	21%
11–15 years	17%
16–20 years	18%
20 years or more	37%

Source: Strategic Insight.

Channels. The survey asked the respondents to describe their business models. Responses are displayed in Exhibit 1-6. Three of the categories include financial advisers at a wirehouse, regional or independent broker/dealer, while one category includes independent RIAs. Additionally, there were a number of responses from investment representatives working for trust, bank, credit unions, and savings and loan institutions. Where the data diverges by channel, the report will include additional charts, tables or commentary to present the difference. 2015 reflects a higher percentage of advisers in the independent and independent RIA channel than years past. New this year is Exhibit 1-6 reporting the response to the question of, "Do you provide education-related financial planning services? (i.e. 529 college savings plans, Coverdell's, etc.)" This response shows that 77% of the advisors support both retail and institutional investors, while 23% support only retail investors.

Compensation Models. Strategic Insight will analyze the data by adviser compensation model throughout the study, and report on those components that demonstrate a material difference between models. As shown in Exhibit 1-7, survey respondents represent a diverse selection of compensation models, ranging from 7% reporting that their practices are entirely fee-based to 6% who are entirely transactional. The survey also asked, "What percent of 529 plan assets that you have sold does your firm reflect as AUM for compensation purposes?" While 64% responded 0-20%, 27% responded 81-100% and 9% responded between 21-80%. This mixture will help product providers to fully leverage the insights in this report. Where the data diverges by compensation model and not already broken out by channel, the report will include additional charts, tables or commentary to reflect the difference.

Assets Under Management. The survey asked the respondents to define (or estimate) the total value of assets that they personally manage. As illustrated in Exhibit 1-7, survey respondents represent a diverse selection of client account sizes. As the perception of educational goals changes among adviser segments—such as those starting out and looking to expand their book of business, versus those who are more well established—these range and percentages will help to create a broader view of the entire adviser spectrum. Where the data diverges by assets under management, the report will include additional charts, tables or commentary to reflect the difference. This year's survey includes 60% of advisors reporting a book of business greater than $50 million in assets under management.

Tenure. The surveyed asked the respondents how many years they have been producing financial advisers. Exhibit 1-7 shows that our advisers are evenly dispersed, and that more than 72% have at least 10 years of experience.

Location. To help us understand some aspects of the selection, support and distribution preferences, we asked the sample group of advisers where the majority of their clients live. Our adviser group covered a broad range of states, including those representing some of the largest plans (Virginia, New York, New Hampshire and Rhode Island). Although respondents did not report Arkansas, Delaware, Idaho, Montana, North Dakota, Oklahoma and Wyoming—it is reasonable to assume that the overall results reflect the views of the advisers with a majority of their clients in those states. In all, the data collected includes feedback by advisers with a majority of their clients in 43 states.

IV. KEY TAKEAWAYS

A. Asset Trends in 529 Plans

- 529 savings plan assets continue to reach year-over-year record highs and net flows continue to be positive.
- While the direct-sold channel continues to grow its assets faster than the adviser-sold channel, the difference in the momentum has slowed to 4% in 2014.
- The percentage of assets in adviser-sold plans has been steadily declined on a year-over-year basis.

B. Investor Behavior

- Net flows continue to be positive including $5.3 billion in 2008, which confirms that 529s solidify an advisor's book of business through all market and business cycles.
- The majority of net flows continue to go into direct-sold plans.

C. Adviser-Sold Channel

- 32% of 529 users were influenced to enroll by their advisers in 2015, compared to 29% in 2014, 27% in 2013 and 34% in 2012.
- Reenergizing the intermediary channel will be critical to the future of 529s as the net flows between the direct- and adviser-sold channels trend in the same direction, and as advisers continue to push clients away to the direct-sold channel.
- Both adviser- and direct-sold product providers need to drive net flow growth through product management enhancements that align with adviser support, selection and distribution preferences. In turn this, this process will solve the pain points of advisors, while incentivizing them to go over the lowered hurdles.

CHAPTER TWO PRODUCT SELECTION PREFERENCES

This chapter highlights the current state and trends of adviser perceptions of college savings, savings vehicle usage and 529 plan differentiators. These insights are based primarily on a new survey of advisers, fielded in 2015, and comparisons to prior Strategic Insight surveys. Collectively, the data and insights will provide a broad perspective on both the college savings industry and specific drivers of 529 sales that product providers can use to formulate more effective product and distribution strategies.

I. TRENDS IN PERCEPTION OF COLLEGE SAVINGS

This section provides a broad overview of advisers' current and trending perceptions of college savings. The survey asked the advisers to gauge their level of agreement with six statements. The rating scale included five levels of confirmation: strongly disagree, disagree, not sure, agree and strongly agree. In addition to providing the overall results from the survey, Strategic Insight analyzed the results by channel, adviser tenure and client assets under management, and will comment on any material differences. Lastly, SI will note any change or trends since our prior surveys in 2014, 2013, 2012, 2011 and 2009.

A. College Planning: Part of a Holistic Financial Plan

Financial advisers continue to perceive college savings as part of a holistic financial plan. As noted in Exhibit 2-1, this statement ranked highest among the six, as measured both by the percentage of respondents stating they strongly agree (40%), as well as the percentage (91%) that responded that they either strongly agree or agree. The 40% who strongly agreed is on par with historical levels (39% in 2014, 40% in 2013, 46% in 2012 and 47% in 2011). By channel, insurance agents strongly agreed with the statement the most at 62% compared to wirehouse advisers which strongly agreed at 47%.

The number of respondents reporting they either strongly agree or agree remained consistent at 91% in 2015 compared to 93% in 2014, 93% in 2013, 97% in 2012 and 91% in 2011. The response rate of over 90% indicates advisers' awareness of college savings as an issue for families.

Exhibit 2-2 highlights that only 9% disagree with or are not sure about the statement compared to 51% agreeing and 40% strongly agreeing. Given the rapid increase of college debt and press surrounding college affordability, Strategic Insight projects that advisers will continue to perceive college savings as an important component of holistic financial planning and include it in their discussion with clients.

Exhibit 2-1

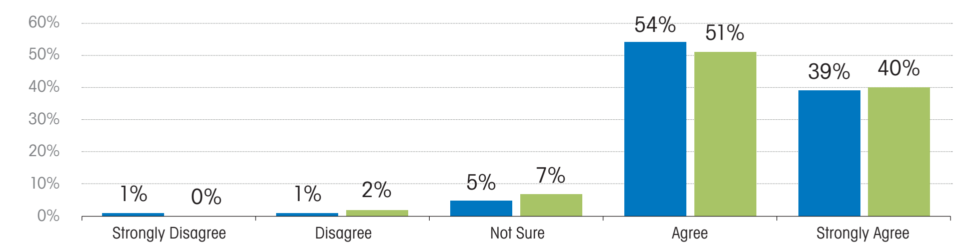
Perspectives on College Savings Ranked by Agreement Level

Rank	Statement	Strongly Agree	Strongly Agree or Agree
1	College savings is part of a holistic financial plan	40%	91%
2	I think 529 savings plans are the best choice for investors saving for education	37%	89%
3	You can borrow for college but not for retirement	40%	81%
4	Selling 529s helps me to retain clients	12%	69%
5	Families of all income levels can save over 50% of future higher education expenses by saving over time	14%	62%
6	Selling 529s helps me to acquire clients	5%	40%

Source: Strategic Insight.

Exhibit 2-2

Responses to 'College Savings Are Part of a Holistic Financial Plan'



Source: Strategic Insight.

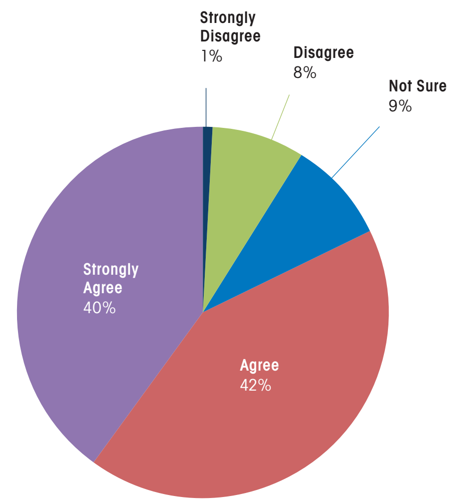
B. Prioritization of Goals: College vs. Retirement

According to Exhibit 2-1, 40% of respondents strongly agreed with the statement of, "You can borrow for college, but not for retirement," compared to 27% in 2014, 32% in 2013, 42% in 2012 and 47% in 2011. Therefore 2015 broke the prior downward trend with a response rate 13% higher than the previous year. By channel, 35% of wirehouse advisers and regional broker-dealers strongly agreed, compared to 62% of insurance advisers.

Exhibit 2-3 indicates that 82% of respondents either strongly agree or agree compared to 75% in 2014, while 9% either disagree or strongly disagree with the statement compared to 14% in 2014. The open response section of the surveys included the following responses:

Exhibit 2-3

Adviser Survey 2015: Responses to 'You Can Borrow for College, But Not for Retirement'



Source: Strategic Insight.

- "People are more worried about retirement"
- "My clientele tend to be wealthy. Many don't care and can pay college with earnings. Others with financial plans, find it at odds with retirement savings"

- "I believe that every client is different and the client's retirement is the priority, not saving for their child's education. If they aren't on track for retirement, I cannot in good conscience recommend saving for college.

Overall, this indicates that many advisers continue to prioritize retirement savings above educational savings goals.

C. Investment Vehicle Selection: 529 Plans Are Appropriate

As shown in Exhibit 2-4, 37% of respondents strongly agree that "529 savings plans are the best choice for investors saving for education," compared to 34% in 2014, 33% in 2013 and 31% in 2012. This slow upward trend aligns with more advisers actively supporting clients toward their college funding goal. By demographics, 52% of 75% fee-based advisers strongly agree with the statement compared to 22% of 100% transaction-compensated advisers. Lastly, 46% of advisers with more than $150 million in AUM and 48% of wirehouse advisers strongly agreed, compared to 25% of insurance advisers and 33% of investment representatives working for a bank, credit union or savings & loan. Product providers should focus on fee-based and experienced advisers with larger books of business, and implement strategies to expand into transactional and relatively new advisers.

D. Target Market: All Income Levels Can Save

Product providers need to correct the misperception that 529s are only for the rich in order to broaden distribution and ease legislative concerns. Advisers were asked if they agreed with the statement of, "Families of all income levels can save over 50% of future higher education expenses by saving over time." Exhibit 2-5A shows that 62% of respondents strongly agreed or agreed, compared to 33% in 2014 and 58% in 2012. Additionally, 15% disagreed in 2015, compared to 48% in 2014 and 58% in 2012.

In prior years such as 2014 and 2012, Strategic Insight phrased the question differently with, "Saving over 50% of total tuition expenses prior to the beneficiary's freshman year is realistic goal for only affluent investors." While the trend in response is impacted by the change in wording, it does confirm the belief that families of all income levels can save a material amount for higher education expenses.

E. Sales & Marketing: Selling 529s Helps Advisers to Acquire Clients

Exhibit 2-5B illustrates responses to the question of, "Selling 529s helps me to acquire clients." While 39% strongly agreed or agreed, 32% strongly disagreed or disagreed and 29% were not sure. The response rate of 39% confirms that advisers can leverage 529s to acquire new clients. The response rate did vary by business structure. While only 27% of Independent RIAs strongly agreed or agreed, this rate increased up to 63% of advisers with insurance companies, 56% of investment representatives at banks and 51% of advisers with independent broker-dealers. Also, 24% of advisers with assets over $150 million strongly agreed or agreed compared to 57% of those with assets between $10 million and $25 million.

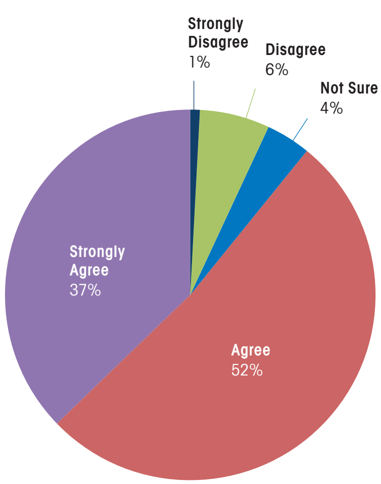
Lastly, 50% of 100% transactional advisers strongly agreed or agreed, compared to 29% of 100% fee-based advisers. Additionally, the 29% that are not sure represents an opportunity for product providers to educate advisers on this opportunity. Though this is the first year of fielding this data point and a historical track record is not available, Strategic Insight will field this question next year to establish how this factor changes over time. In the meantime, survey responses indicate that advisers are leveraging 529s to acquire new clients and there is an opportunity to expand this message.

F. Sales & Marketing: Selling 529s Helps Advisers to Retain Clients

Exhibit 2-5C illustrates responses to the question of, "Selling 529s helps me to retain clients." While 69% strongly agreed or agreed, 11%

Exhibit 2-4

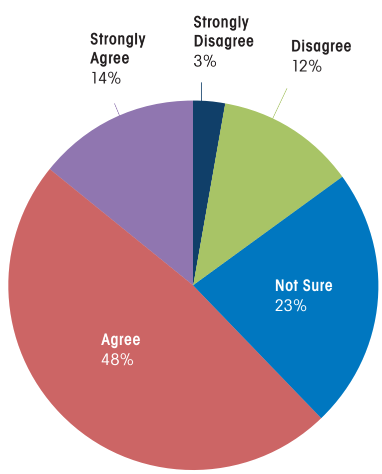
Adviser Survey 2015: Responses to 'I Think 529 Savings Plans are the Best Choice for Investors Saving for Education'



Source: Strategic Insight.

Exhibit 2-5A

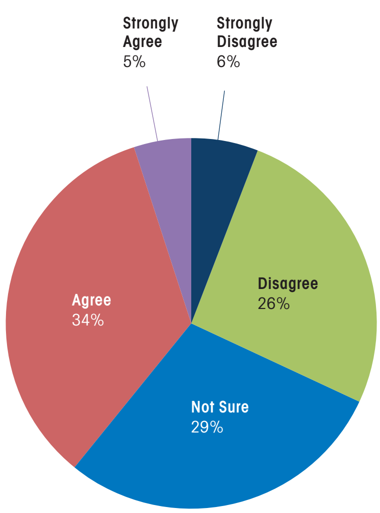
Adviser Survey 2015: Responses to 'Families of All Income Levels can Save Over 50% of Future Higher Education Expenses by Saving Over Time'



Source: Strategic Insight.

Exhibit 2-5B

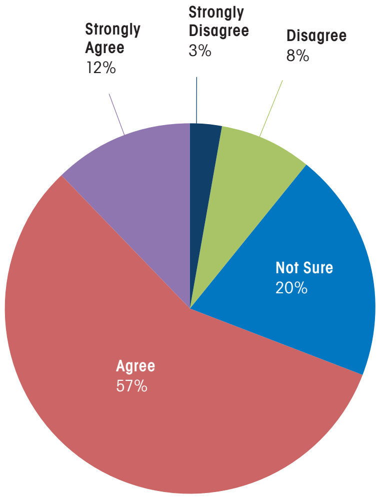
Adviser Survey 2015: Responses to 'Selling 529s Helps Me to Aquire Clients'



Source: Strategic Insight.

Exhibit 2-5C

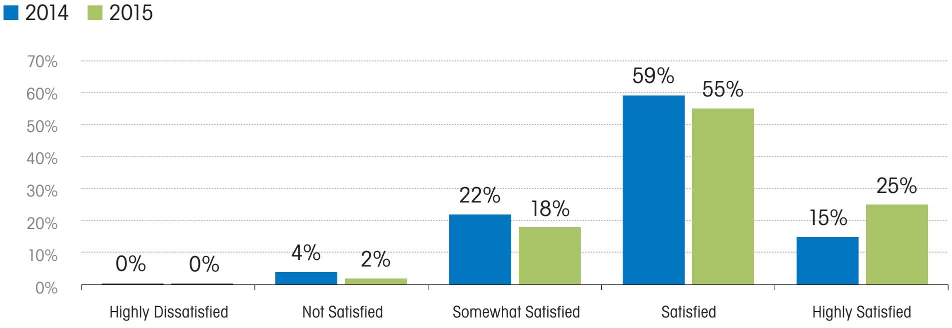
Adviser Survey 2015: Responses to 'Selling 529s Helps Me to Retain Clients'



Source: Strategic Insight.

Exhibit 2-6

Adviser Survey 2014 & 2015: Overall Product Satisfaction



Source: Strategic Insight.

Exhibit 2-7

Vehicles Used for College Savings (by Percentage of All Advisors)

Vehicle	Financial Adviser	RIAs	All Advisers
529 College Savings Plan	98%	96%	**97%**
Trust (UGMA/UTMA)	62%	48%	**58%**
Brokerage Account (non-529)	60%	54%	**57%**
Coverdell Education Savings Account	36%	37%	**34%**
Traditional or Roth IRA	20%	48%	**27%**
Cash or Other Banking Products	22%	31%	**23%**
Insurance Product with Cash Value	8%	12%	**10%**
529 Prepaid Plan	10%	6%	**9%**
401k Retirement Account	7%	10%	**8%**
Other, please specify	0%	0%	**0%**

Source: Strategic Insight.

strongly disagreed or disagreed and 20% were not sure. The response rate of 69% confirms that advisers can leverage 529s to retain their clients.

The response rates did vary by business structure. While 56% of Independent RIAs strongly agreed or agreed, this rate increased up to 75% for wirehouse advisers. Also, 75% of advisers with assets over $150 million strongly agreed or agreed compared to only 57% of those with assets between $25 million and $50 million. Lastly, 71% of 100% transactional advisers strongly agreed or agreed, compared to 47% of 100% fee-based advisers. From another perspective, the 20% that are not sure represents an opportunity for product providers to educate advisers on this opportunity. While this is the first year of fielding this data point and a historical track record is not available, Strategic Insight will field this question next year to establish how this factor changes over time. In the meantime, survey responses indicate that advisors are leveraging 529s to retain clients and there is an opportunity to expand this message.

G. Benchmarking Overall Product Satisfaction

Exhibit 2-6 shows responses to the question of, "How satisfied are you with your primary 529 plan of choice in terms of overall product management?" The percentage of advisers responding highly satisfied increased from 15% in 2014 to 25% in 2015, while not satisfied decreased from 4% in 2014 to 2% in 2015 and somewhat satisfied decreased from 22% in 2014 to 18% in 2015. By compensation model, 64% of 100% transactional advisers were highly satisfied compared to 12% of 100% fee-based advisers. While advisers are increasing their level of satisfaction with their primary 529 of choice, there is still room for improvement.

II. TRENDS IN USAGE OF COLLEGE SAVING VEHICLES

After setting the stage with the perception of college savings, this section transitions to trends in adviser usage of college savings vehicles. Strategic Insight surveyed advisers to discover, "Which of the following types of accounts do you use for your client's college savings goals? (Please select all that apply)" and provided the following 10 response options:

- 529 College Savings Plan
- 529 Prepaid Plan
- Coverdell Education Savings Account
- Trust (UGMA/UTMA)
- Brokerage account: non-529 mutual funds, exchange-traded funds, stocks and bonds
- Cash or other banking products (savings, checking, or CDs)
- Traditional or Roth IRA
- 401k retirement account
- Insurance product with cash value
- Other, please specify

A. Product of Choice

Exhibit 2-7 illustrates that advisers continue to consider 529 savings plans the product of choice when selecting among all potential college savings vehicles. The 97% response rate for advisers using 529s savings plans in 2015 compares to 96% in 2014, 96% in 2013, 94%

in 2012 and 93% in 2011, a pattern of slight increases over time. This is also confirmed across channels, as 96% of RIAs (who are predominantly fee-based) and 98% of financial advisers (predominantly commission-based) use 529s for college savings. In contrast, 529 prepaid plans decreased from 15% in 2014 to 9% in 2015. Overall, usage of 529 savings and prepaid plans are high, and broadly expanding.

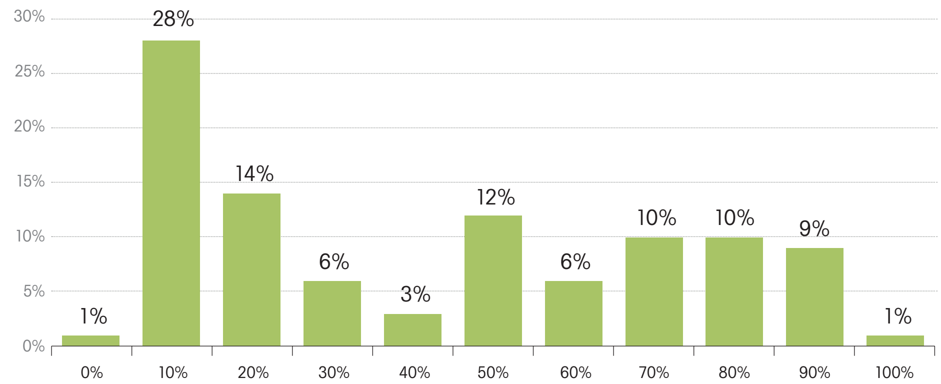
B. Advisers Use Multiple Vehicles

Although 529 savings plans are the most commonly used product for educational savings goals, six other products are used by at least 10% of advisers. Rising in rank from third in 2014 to second in 2015, trusts (UGMA/UTMA) received a response rate of 58% in 2015 compared to 50% in 2014, 45% in 2013 and 38% in 2012. By distribution channel, trusts are used at a much more frequent rate among financial advisers at 62% compared to RIAs, which 48% of advisers reported using. Dropping from second to third, non-529 mutual funds or exchange-traded funds (ETFs) in brokerage accounts were used by 57% of advisers in 2015 compared to 62% in 2014, 61% in 2013 and 52% in 2012. Dropping from fourth to sixth place, cash or other bank products were selected by 23% of advisers in 2015 compared to 36% in 2014, 32% in 2013 and 28% in 2012. Given the rate of return on bank products in 2014 and 2015, this decrease in usage is to be expected. Inversely, retirement products appear to be in an upswing with traditional or Roth IRAs selected by 27% of advisers in 2015 compared to 19% in 2014, 22% in 2013 and 32% in 2012. By distribution channel, traditional or Roth IRAs are used at a much more frequent rate: 48% of RIAs compared to 20% of financial advisers. Additionally, use of 401(k) accounts increased from 6% of advisers in 2014 to 8% in 2015. Lastly, insurance products with cash values decreased from 15% in 2014 to 10% in 2015. Therefore, the investment vehicle usage for college financial planning is changing with the broader economic and investment industry.

Advisers use multiple products for educational goals. Survey results suggest that the average adviser uses roughly three products for this purpose (calculated by dividing the number of selections by survey completions). The ratio for all advisers is 3.23 in 2015 compared to 3.33 in 2014, 3.31 in 2013 and 3.26 in 2012. Although 529 savings plans are the most frequently used vehicle, there is still room for product providers to gain wallet share from other products.

Exhibit 2-8

Adviser Survey 2015: Percent of Client College Savings Assets in 529 Plans



Source: Strategic Insight.

Interaction between 529 Savings Plans and Prepaid Plans. Of those advisers who used 529 prepaid plans, 100% also used 529 savings plans in 2015 compared to 100% in 2014 and 96% in 2013. This suggests that advisers use the two to complement each other rather than sell one over the other. This strategy is efficient as some 529 prepaid plans only cover certain expenses such as tuition and room and board, while 529 savings plans can be used for all the other types of expenses not covered by prepaid plans such as travel, books and differential fees.

However, only 8% of those who sell 529 savings plans also sell 529 prepaid plans compared to 16% in 2014. This is due to the lower availability of 529 prepaid plans with open enrollment, which tend to limit their benefits to residents of the issuing state. Additionally, while some 529 prepaid plans allow purchases for as low as $15, others only offer sizable purchase blocks such as full current cost of a semester which deters some types of investors. Those advisers who have access to and use 529 prepaid plans, however, are using them to complement their 529 savings plan sales activity.

Insurance Products with Cash Value. Advisers are using insurance products with cash values with decreasing frequency in the college savings arena—use of these products decreased from 29% in 2012 to 18% in 2013 to 15% in 2014 to 10% in 2015. Also, while prior studies received responses of "indexed universal life" and "annuity and life insurance" in the short description of the other category, there were not any mentions of insurance products in 2015. Despite the trend of insurance products being used less often for future college expenses, the product is projected to continue to be used due to its level of compensation to advisers and the long-term timeframe of insurance and most college savings. Product providers should position 529s as a hedge against the future cost of college to advisers in place of insurance products being used for college.

C. 529 Wallet Share

To help product providers gauge the ability to expand 529 assets among current users, Strategic Insight asked advisers the question of, "Approximately what percent of your clients' college savings assets are in a 529 plan?" In prior years, responses were in ranges of 20% such as 0%-20%, 21%-40%, 41%-60%, 61%-80% and 81% to 100%. This year, the question provided response options in 10% intervals from 0% to 100%.

Exhibit 2-8 shows the results of all survey respondents and displays the range among responses. In this year's survey, 28% responded 10% and 14% responded 20%. Together, the response of 42% aligns with last year's response of 40% of advisers reporting that 529s account for 0% to 20% of their clients' college savings assets. While both figures are lower than 45% reported in 2012, all of the data points confirm that many advisers are not being fully compensated for their activity. Alternately, a total of 20% responded between 80% and 100% compared to 16% responding between 81%-100% in 2014. This shows an increase in advisers who report 529 plans as a larger percentage of their college savings business. Therefore, while product providers are expanding their wallet share with some advisers, there is still much opportunity for further growth.

Exhibit 2-9 shows the results by distribution channel, and reflects that there is still an

Exhibit 2-9

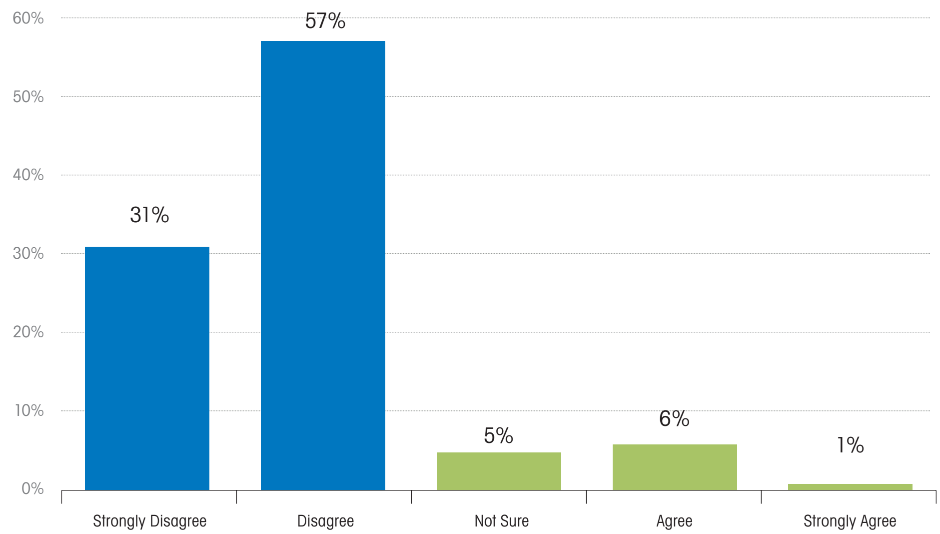
Adviser Survey 2015: Percentage of Clients' Total College Savings Assets in 529s

Percent of Assets	Broker/ Dealer Advisers	RIAs	All Advisers
0%	1%	0%	**1%**
10%	28%	25%	**28%**
20%	1%	8%	**14%**
30%	17%	9%	**6%**
40%	5%	0%	**3%**
50%	4%	15%	**12%**
60%	10%	8%	**6%**
70%	5%	8%	**10%**
80%	12%	17%	**10%**
90%	8%	10%	**9%**
100%	9%	0%	**1%**

Source: Strategic Insight.

Exhibit 2-10

Responses to 'Clients Request a Specific Plan'



Source: Strategic Insight.

opportunity for expanding 529 use across the RIA and financial adviser channels alike. One takeaway is that the two most frequent responses for financial advisers is 10% and 30%, while the two most frequent responses for RIAs was 10% and 80%. Therefore, product providers can divide their focus among two categories of advisers, including power users that heavily use 529s and reluctant users that use 529s for only a small portion of their book of business. Other demographic information demonstrates 35% of 100% fee-based advisers use 529s for 70% or more of their college savings assets, compared to 14% for 100% transaction-based advisers. Therefore, fee-based advisers have a tendency to incorporate 529s as a larger percentage of the college savings goal. By channel, only 11% of advisers in the bank channel use 529s for 70% to 100% of college savings money, which indicates an opportunity for product providers to better support the channel. Collectively, product providers have an opportunity to expand wallet share across all types of advisers, though some variation does exist across different distribution channels.

III. 529 PLAN DIFFERENTIATORS

This section takes a deeper dive into the factors impacting advisers' product selection process and outlines how program managers can drive assets into their plans by tailoring their offerings to the trending needs of advisers. Understanding the priorities of advisers will allow providers to create optimal fund lineups, marketing campaigns and distribution strategies. Additionally, the survey included several open response options to allow advisers to provide insight into other important components of their selection process.

A. Client Requests for Specific Plans

The first step in understanding the selection process is being aware that investors are unlikely to request a specific 529 plan when discussing college savings with their advisers. Strategic Insight asked respondents to indicate how much they agree or disagree with the statement, "Clients request a specific 529 plan." Exhibit 2-10 reports that 88% of advisers either disagreed or strongly disagreed with the statement, compared to 83% in 2014, 86% in 2013 and 90% in 2012. Only 7% strongly agreed or agreed compared to 10% in 2014 and 8% in 2012. Therefore, the data confirms in the vast majority of cases, advisers determine the plan selection for their clients.

B. 529 Selection Attributes

This section covers the attributes that advisers find most and least important in their selection process. The responses provide insight that can guide product providers in weighing the trade-off of these factors in the product creation, management and marketing process. Exhibit 2-11 ranks these attributes by the percentage of advisers who listed them as extremely important, very important or important in 2015. The exhibit also includes results from 2014, 2013, 2012 and the change between 2015 and 2014, so that product providers can focus on both those factors that rank higher and those that have been increasing in impact.

C. Importance of Investment Options

Exhibit 2-11 confirms the long-held belief that investment quality is of primary importance in the 529 plan selection process. The top three most-cited attributes were diverse investment selection (97%), low-cost fee structure (96%) and experienced investment management (95%), with nearly all advisers confirming their importance. Another investment-related factor was "access to multiple investment managers," with a response rate of 78% and overall factor ranking of 8th, which confirms its relative importance in comparison to the top three. Despite the relatively high 8th place ranking of the factor, the response rate of 78% in 2015 is lower than the 84% received in 2014 and 2013. Related to investment options and returns is the response rate of 81% for "in-state tax incentive." The relative ranking of in-state tax in comparison to diversification, low-cost fees and experienced investment management shows that product providers are able to sell into states with in-state tax incentives so long as they are able to score well in investment-related factors and provided the proper disclosure. Product providers should continue to broaden and strengthen their investment lineups, while also highlighting their capabilities within the mutual fund and ETF arena as a means of driving demand for their 529 plan(s) as well.

D. Importance of Non-Investment Factors

Beyond investment factors such as diversification, cost and investment management experience, there are a number of factors that impact the plan selection process for advisers. For example, "account features (e.g., availability of automatic investment plans, low minimum required investment)" received a response rate of 90% in 2015 compared to 90% in 2014, 92% in 2013 and 90% in 2012. Based on the consistent response of the factor and that it was only one of four receiving a response rate of 90% or more, the historical response rate confirms that functionality is an important factor and product providers should find ways to expand upon it. A close secondary factor in this non-investment category is "ease of use (e.g., online enrollment, maintenance)" with a response rate of 88% in 2015. Related to the other factors within this category, brand name or reputation of plan provider received a response rate of 83% in 2015, compared to 93% in 2014, 91% in 2013 and 90% in 2012. While the relative importance of brand reputation decreased, advisers who favor a firm's mutual fund lineup will be more likely to use its 529 plan, or plans with the manager's investment options in them. One last non-investment factor is the availability of A-share rollovers at NAV (without a front-end load) which received a response rate of 78% in 2015 compared to 79% in 2014 and 82% in 2013. Therefore, product providers have a number of non-investment factors that they can improve to generate new gross sales such as account features, ease of use, brand reputation and the availability of A-share rollovers at NAV.

Omnibus Accounting. Product providers can increase the frequency of the plan's selection by implementing omnibus accounting (529 brokerage) and other operational enhancements with their broker-dealer distribution partners. For example, "aggregated view of all client accounts" received a response rate of 77% in 2015 compared to 75% in 2014, 77% in 2013 and 80% in 2012. Therefore, the relative importance of the factor continues and product providers have an opportunity to increase market size and market share by incorporating operational enhancements. Additionally, the survey asked, "What percent of 529 plan assets that you have sold does your firm reflect as AUM for billable purposes?" and the responses were:

- 0%–20%: 64%
- 21%–40%: 6%
- 41%–60%: 1%
- 61%–80%: 1%
- 81%–100%: 27%

Clearly, the inability to reflect 529 activity for compensation purposes is an impediment for many advisers, and omnibus accounting will help advisers both to improve their aggregated view of accounts and to be properly compensated for their 529 sales. This aligns with compensation for advisers receiving a response rate of 59% in 2015 compared to 70% in 2014, 62% in 2013 and 66% in 2012. In sum, product providers should seek to reduce the paperwork burden for adviser support (e.g., client service associates, or CSAs), and work with their distribution partners to ensure that advisers are fully compensated while also improving the aggregated view of accounts.

Product Training & Online Tools. In addition to offering a product that performs well with

Exhibit 2-11

Adviser Surveys 2012–2015: 529 Plan Selection Criteria by Importance—All Advisers*

2015 Rank	Criteria	2012	2013	2014	2015	2015/2014 Difference
1	Diverse investment selection	98%	99%	98%	**97%**	-1%
2	Low-cost fee structure	95%	94%	94%	**96%**	2%
3	Experienced investment management	98%	96%	97%	**95%**	-2%
4	Account features (e.g., availability of automatic investment plans, low minimum required investment)	90%	92%	90%	**90%**	0%
5	Ease of use (e.g., online enrollment, maintenance)	87%	92%	93%	**88%**	-5%
6	Brand name or reputation of plan provider	90%	91%	93%	**83%**	-10%
7	In-state tax incentive	82%	81%	84%	**81%**	-3%
8	Access to multiple investment managers	87%	84%	84%	**78%**	-6%
9	High third-party rating on its product (e.g., Morningstar, SavingforCollege.com)	90%	83%	83%	**78%**	-5%
10	For rollovers of existing 529s, availability of no sales charge (i.e., A-shares at NAV)	N/A	82%	79%	**78%**	-1%
11	Aggregated view of all client accounts	80%	77%	75%	**77%**	2%
12	Knowledgeable and consultative wholesalers	77%	74%	71%	**68%**	-3%
13	Provides innovative client education	81%	67%	69%	**64%**	-5%
14	Quality of value-add practice management services, tools and calculators	74%	69%	66%	**63%**	-3%
15	Compensation for adviser (loads, trails)	66%	62%	70%	**59%**	-11%
16	Other, please specify	N/A	N/A	N/A	**4%**	N/A

** Reflects advisers who indicated that these were important, very important or extremely important. NA = Response was not included in survey.*
Source: Strategic Insight.

easy to use functions, product providers also need to train advisers on how to use 529s. For example, over a third of advisers (68%) find value in knowledgeable and consultative wholesalers that can help explain how to incorporate 529s into their book of business. In addition to this in-person dimension, 64% of advisers confirmed the importance of providing innovative client education in the plan selection process. Therefore, supporting the adviser in client conversations will help the distribution of 529s. Lastly, providing value-add practice management services, tools and calculators were reported as important by 63% of advisers. Therefore, provide product training to advisers as a means to drive sales through consultative wholesalers, innovative client education and value-add practice management services, tools and calculators.

Decreasing Importance of Third-Party Ratings. The importance of high third-party rating on a product (e.g., Morningstar, SavingforCollege.com) decreased from 90% in 2012 and 83% in 2013 and 2014 to 78% in 2015. This downward trend aligns with advisers finding and staying dedicated to only a few select providers. One question posed to survey respondents was, "How many different 529 plans do you offer to your clients?" Responses were:

- 1: 14%
- 2: 37%
- 3: 25%
- 4: 9%
- 5+: 15%

The majority of advisers (76%) are using three plans or fewer for their client's college financial planning needs. The downward trend also aligns with only 18% of advisers using ratings providers for sources of information on the college savings industry. Therefore, the importance of third-party ratings is decreasing due to advisers staying focused on their top three 529 plans of choice, and the relative low importance of ratings firms from a source of information perspective. Product providers should not over-weight this factor in the product creation and development process.

E. RIA preferences

Exhibit 2-12 breaks down these responses into RIAs and all advisers for comparative purposes. Generally, RIAs placed about the same emphasis on most factors as the adviser group. Despite this tendency, several responses deserve mention. RIAs place a higher degree of importance on third-party ratings (83% vs. 78%), availability of no sales charge (A-shares at NAV) (81% vs. 78%) and aggregated view of all client accounts (81% vs. 77%). These results reflect the nature of many RIAs' business models, such as the lack of a dedicated in-house 529 product specialist, compensation based on assets under management and in-house client portfolio management. Conversely, RIAs show less interest in access to multiple investment managers (69% vs. 78%), consultative wholesalers (63% vs. 68%), innovative client education (58% vs. 64%) and compensation for adviser (loads, trails) (38% vs. 59%). Again, manager availability may be less important given RIAs' more holistic approach to investing and ability to create a complete portfolio with attention to taxes and overall investment allocations. RIAs also are much less likely than advisers at broker/dealers to rely on (or even have the time for) product provider wholesalers for information or assistance dealing with clients. Lastly, compensation in terms of loads and trails are of less importance given their assets under management structure of compensation. Therefore, product providers need to approach the product development for the RIA channel differently than other distribution channels.

Exhibit 2-12

Adviser Survey 2015: 529 Plan Selection Criteria by Importance—All Responses vs. RIAs*

2015 Rank	Criteria	RIAs	All Advisers	Difference
1	Diverse investment selection	98%	97%	1%
2	Low-cost fee structure	96%	96%	0%
3	Experienced investment management	94%	95%	-1%
4	Account features (e.g., availability of automatic investment plans, low minimum required investment)	92%	90%	2%
5	Ease of use (e.g., online enrollment, maintenance)	81%	88%	-7%
6	Brand name or reputation of plan provider	83%	83%	0%
7	In-state tax incentive	83%	81%	2%
8	Access to multiple investment managers	69%	78%	-9%
9	High third-party rating on its product (e.g., Morningstar, SavingforCollege.com)	83%	78%	5%
10	For rollovers of existing 529s, availability of no sales charge (i.e., A-shares at NAV)	81%	78%	3%
11	Aggregated view of all client accounts	81%	77%	4%
12	Knowledgeable and consultative wholesalers	63%	68%	-5%
13	Provides innovative client education	58%	64%	-6%
14	Quality of value-add practice management services, tools and calculators	65%	63%	2%
15	Compensation for advisor (loads, trails)	38%	59%	-21%
16	Other, please specify	4%	4%	0%

** Reflects advisors who indicated that these were important, very important or extremely important.*
Source: Strategic Insight.

F. Preferences for Investment Types

This section takes a closer look into the investment selection process. Strategic Insight asked advisers "Which 529 investment options best address your clients' college savings needs? (Please select all that apply)" and provided the list of 10 options shown in Exhibit 2-13. Historical trends in preferences can be seen in Exhibit 2-14.

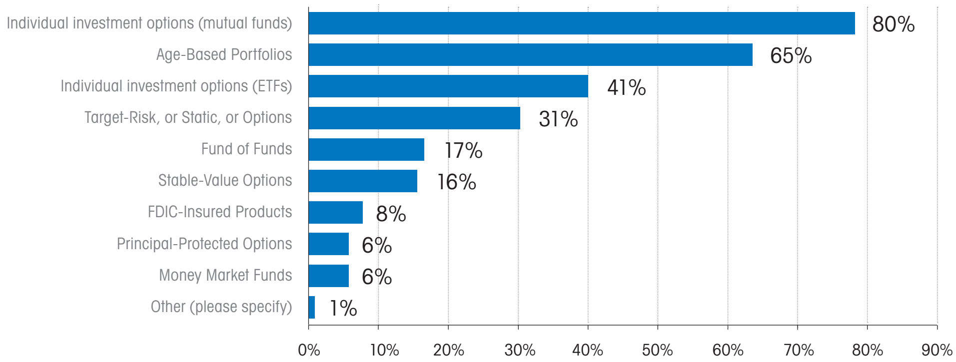
Traditional investment options remain the prominent choice, with individual investment options (mutual funds) the most prevalent with an 80% response rate in 2015 compared to 62% in 2014. Additionally, individual investment options (ETFs) received a 41% response rate in 2015 compared to 29% in 2014. Age-based portfolios decreased in response rate 72% in 2014 to 65% in 2015, while target-risk options increased from 22% in 2014 to 31% in 2015. Lastly, this was the first year that fund of funds was a response option, and 17% of advisers confirmed the importance of the investment type. Therefore, the traditional three investment types of age-based, individual and static options continue as the most preferred investment types.

Mutual Funds vs. ETF Theme. Exhibit 2-14 reflects the trend in preference since 2009. Individual Investment Options (ETFs) increased from 5% in 2009 to 41% in 2015. Additionally, ETFs increased from 29% in 2014 to 41% in 2015, which confirms the emergence of ETFs as an important factor in the 529 plan selection process. Despite this growth, individual investment options (mutual funds) continues to drive action for the vast majority of advisers with a response rate of 80% in 2015 compared to 62% in 2014 and 68% in 2009. While the availability of ETFs is increasing their importance in the 529 plan selection process, mutual funds continue as the focal point for the vast majority of advisers.

Stable-Value, FDIC-Insured, Principal-Protected and Money Markets. Conservative investment options continue as an important driving factor for certain types of investors. Leading the group is stable-value options with a response rate of 16% in 2015 compared to 21% in 2014 and 18% in 2013. The second leading investment option within the conservative group is FDIC-insured investment options with a response rate of 8% in 2015 compared to 9% in 2014 and 10% in 2013. Principal-protected options received a response rate of 6% in 2015 compared to 14% in 2014, 14% in 2013 and 24% in 2012. Principal-protected options are decreasing in terms of demand. Lastly, money

Exhibit 2-13

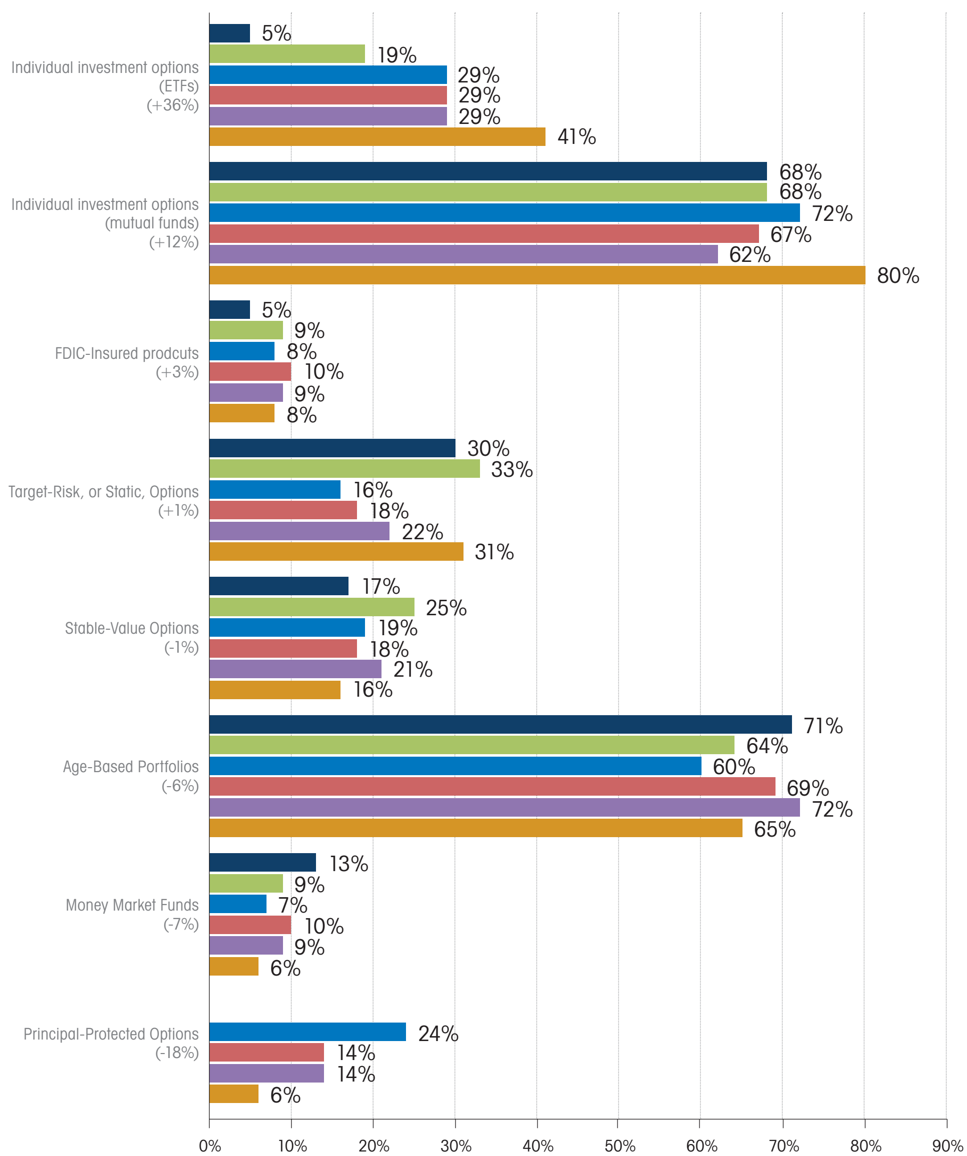
Adviser Survey 2015: Most Preferred Investment Types



Source: Strategic Insight.

Exhibit 2-14

Time Series of Investment Types, 2009–2015 (Ranked by Change from 2009–2015)



Source: Strategic Insight.

market funds also received a response rate of 6% in 2015, in comparison to 9% in 2014, 10% in 2013 and 7% in 2012. The downward trend in money market funds is much more subtle than principal-protected options. Despite the decrease in demand for conservative investment options by financial advisers overall, product providers should continue to offer, improve and expand upon their availability as they are an important driving factor for certain types of investors that would otherwise not invest in a 529 plan.

IV. KEY TAKEAWAYS

A. Perception of College Savings

- College savings continues to be perceived as part of a holistic financial plan, and this statement continues to be agreed upon by advisers.
- The gap in saving priority between retirement and college widened in 2015 after years of becoming narrower.
- Advisers agree that "529 savings plans are the best choice for investors saving for education", and fee-based advisers are more likely to agree than transaction-compensated advisers.
- Advisers agree that families of all income levels can save a significant amount for higher education by saving over time. Product providers need to correct the misperception that 529s are only for the rich in order to broaden distribution and ease legislative concerns.
- Selling 529s helps advisers to acquire clients. The statement is confirmed at higher rates by transactional advisers with smaller books of business at banks and insurance companies, and lower rates by independent RIAs. Product providers have an opportunity to educate more advisers on this perspective.
- Selling 529s helps advisers to retain clients. The statement is confirmed at higher rates by transactional advisers with larger books of business. Product providers have an opportunity to educate more advisers on this perspective.
- Advisers are increasingly satisfied overall with their primary 529 of choice, though there continues to be opportunity for improvement.

B. College Savings Vehicle Usage

- Among financial advisers that were surveyed, 97% use 529 savings plans for college financial planning.
- While usage of 529 savings plans increased from 96% in 2014 to 97% in 2015, usage of 529 prepaid plans decreased from 15% in 2014 to 9% in 2015.
- Usage of retirement products including IRAs and 401(k)s is increasing
- Usage of Trusts is also increasing, while brokerage and insurance products with a cash value are decreasing.
- By distribution channel, traditional or Roth IRAs are used at a much more frequent rate among RIAs at 48% compared to financial advisers which reported a rate of 20%, while trusts are used at a much more frequent rate among financial advisers at 62% compared to RIAs which reported a rate of 48%.
- Although 529 savings plans are the most frequently used vehicle, there is still room to gain wallet share from other vehicles as the average adviser uses 3.23 investment products for college financial planning.
- Of those advisers who used 529 prepaid plans, 100% also used 529 savings plans in 2015 compared to 100% in 2014 and 96% in 2013. Therefore, product providers have an opportunity to sell a 529 prepaid and savings plan together, as their usage in terms of qualified expenses is complementary.
- Product providers should position 529s as a hedge against the future cost of college to advisers in place of insurance products being used for college.
- 529 product providers are increasing advisers' wallet share for the college savings goal, and there is still much opportunity for further growth.
- From a wallet share perspective, two adviser personas are "power users" that heavily use 529s for a large percentage of their college savings goal and "reluctant users" that use 529s for only a small portion.

C. 529 Plan Differentiators

- Advisers determine the plan selection for their clients as their clients typically do not request a specific plan.
- The top three most-cited attributes in the plan selection process were diverse investment selection (97%), low-cost fee structure (96%) and experienced investment management (95%), with nearly all advisers confirming their importance. All three of the factors rated higher than in-state tax incentive.
- Product providers have a number of non-investment factors that they can improve upon to generate new gross sales such as account features, ease of use, brand reputation and the availability of A-share rollovers at NAV. Product providers have an opportunity to leverage their strength in mutual funds or ETFs to encourage advisers to also use their preferred investment options within a 529 structure.
- The inability to reflect 529 activity for compensation purposes is an impediment for many advisers, and omnibus accounting and other operational enhancements will help advisers both to improve their aggregated view of accounts and to be properly compensated for their 529 sales.
- Product providers need to train advisers on how to use 529s through consultative wholesalers, innovative client education and value-add practice management services, tools and calculators.
- The importance of third-party ratings is decreasing due to advisers staying focused on their top three 529 plans of choice, and the relative low importance of ratings firms from a source of information perspective. Product providers should not over-weight this factor in the product creation and development process.
- Product providers need to approach the product development for the RIA channel differently than other distribution channels. RIAs place a higher degree of importance on third-party ratings, availability of no sales charge (A-shares at NAV) and aggregated view of all client accounts, and place lower importance on access to multiple investment managers, consultative wholesalers, innovative client education and compensation for adviser (loads, trails).

- The traditional three investment types of age-based, individual and static options continue as the most preferred investment types.
- While the availability of ETFs are increasing in important in the 529 plan selection process, mutual funds continue as the focal point for the vast majority of advisers.
- Despite the decrease in demand for conservative investment options by financial advisers overall, product providers should continue to offer, improve and expand upon their availability as they are an important driving factor for certain types of investors that would otherwise not invest in a 529 plan.

CHAPTER THREE DISTRIBUTION PREFERENCES

This chapter highlights our findings about the distribution preferences of financial advisers and provides guidance on how to further expand to and through this channel. The four sections cover adviser use of direct-sold plans, adviser involvement in direct-sold plans, adviser use of college financial planning leading to generate sales in other product areas and adviser engagement in the employer channel. The chapter provides guidance on how to generate sales in 529s and beyond.

I. ADVISERS USE DIRECT-SOLD PLANS

Strategic Insight asked advisers, "How often do you recommend a client towards a direct-sold 529 plan instead of an adviser-sold plan? (Usually a direct-sold plan offers no trail or commissions.)"

Roughly two-thirds of advisers responded that they sometimes or always recommend clients to purchase direct-sold plans. Exhibit 3-1 provides the precise breakdown: 4% always recommend direct-sold plans, 61% recommend them sometimes and 35% never do. Based on this data, the influence of advisers on the 529 industry is much higher than what the adviser-sold plan assets and net sales would indicate. It is important for product providers to be aware that advisers exhibit significant influence outside of advisor-sold plans, and strategize on how best to engage advisers to ensure long-term growth.

A. Influence of Business Model on Recommendations

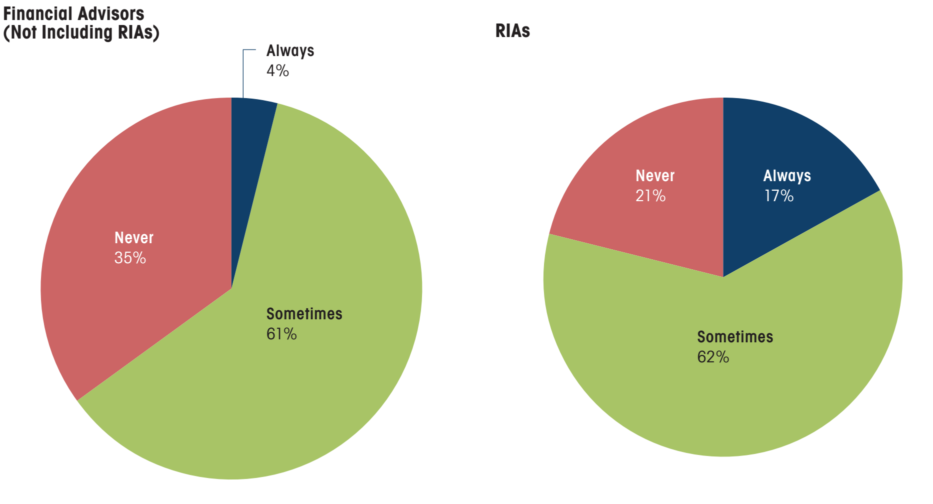
The business model of the adviser has a material impact on the frequency with which they recommend their clients to purchase direct-sold 529 plans. Exhibit 3-1 reports the frequency for financial advisers (i.e., those at traditional broker/dealers): 4% of those surveyed always recommend direct-sold plans, while 61% do so sometimes and 35% never do. RIAs are more likely to recommend direct-sold 529 plans: 17% always do, 62% sometimes do and 21% never do so. Putting the "sometimes" and "always" responses together, 79% of RIAs recommend direct-sold plans at least some of the time, compared to 65% of advisers.

Comparing adviser's responses to SI's 2015 consumer survey confirms these results. In that survey, SI asked parents, "If you consulted a financial adviser about college savings options, did the adviser recommend a 529 plan sold directly by your state of residence?" As shown in Exhibit 3-2, 78% of consumers answered "Yes" to this question, which aligns with advisers' responses. Furthermore, 9% responded "Yes, but I enrolled myself." The data confirms the indirect impact of advisers in the selling of direct-sold plans. The majority of accounts, therefore, are set up by advisers either directly or indirectly.

Compensation Model Matters. There is an even larger divide among advisers when analyzing their responses by compensation model (transactional, fee-based or mixed). Exhibit 3-3 shows 41% of entirely fee-based advisers always recommend a direct-sold plan compared to 0% of entirely transaction-based advisers. Between these two extremes, there is a positive correlation between the percentage of fee-based compensation and percentage of those that always recommend a direct-sold plan.

Exhibit 3-1

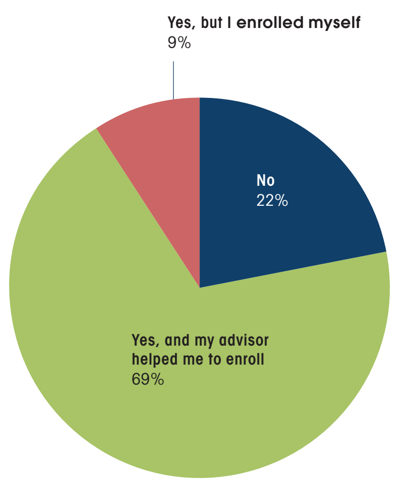
Adviser Survey 2015: Frequency of Advisers Recommending a Direct-Sold Plan



Source: Strategic Insight.

Exhibit 3-2

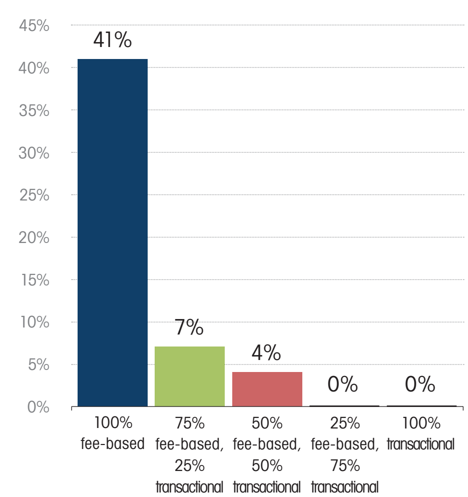
Consumer Survey 2015: 'If you consulted a financial adviser about college savings options, did the adviser recommend a 529 plan sold directly by your state of residence?'



Source: Strategic Insight.

Exhibit 3-3

Adviser Survey 2015: Percent of Advisers Who Always Recommend Direct-Sold Plans, by Compensation Model



Source: Strategic Insight.

B. Reasons Why Some Advisers Never Recommend Direct-Sold Plans

The survey asked advisers that never recommended direct-sold plans why they did not for several suggested responses, and included an "Other" option, with space for open responses. Exhibit 3-4 shows the responses to this question not only for this year's survey, but also for Strategic Insight's adviser surveys in 2012, 2013 and 2014 for comparative purposes. The sections below discuss the results in more detail, in order of their 2015 response rates.

Investment Selection. Advisor-sold plans can provide access to investment managers and asset allocations that have limited availability in the direct-sold channel. The highest response, chosen by 43% of advisers in 2015 compared to 34% in 2014, was "Better selection of investment options (e.g., preferred investment managers are only available on adviser plans, variety of investment options)." This response aligns with the most important 529 plan selection criteria for advisers of diverse investment selection in Exhibit 2-11.

Compensation. The second most frequent response was "lack of commissions or trails" with a response rate of 38% in 2015 compared to 50% in 2014, 52% in 2013 and 44% in 2012. Despite the decrease in response rate compared to historical levels, a number of responses speak to the importance of compensation. Some open responses that speak to this are, "If I am going to do the work I expect to get paid" and "my clients value my advice and want to compensate me for it." Compensation is clearly an important reason for advisers to adopt or recommend adviser-sold plans instead of direct-sold plans. Furthermore, one open-response was "no reporting to advisers" for direct-sold plans as a reason to sell advisor-sold plans. This indicates product providers need to improve reporting functionality such as account aggregation and operational enhancements to ensure advisers get compensated for their production.

Preferred List. The third most-frequent response was "My firm has a preferred, or restricted, list," reported by 34% of respondents in 2015 compared to 33% in 2014, 27% in 2013 and 27% in 2012. This response rate has been on a steady incline on a year-over-year basis, and was cited in the open-end response section, as noted in "I cannot service a plan that is not thru my BD." Product providers need to continue building relationships with broker-dealer gatekeepers to ensure access to and ranking within preferred lists.

Loss of Control. The "Other (please specify)" option, selected by 22% of respondents, provided a wide variety of factors that discourage the use of direct-sold plans. A common response in this category reiterated that selling direct-sold plans removed financial advisers from a position of control or diminished their value in the investment management process. Some of the quotes that speak to this are:

- I want to be involved with helping make investment decisions.
- I will not recommend an investment I can't follow.
- My clients rely on my involvement & expertise. I don't want my clients making financial decisions apart from me.
- They still expect help from me in choosing investments and calculating amount needed.

Product providers need to reiterate the fact that advisor-sold plans allow them to better control and monitor their client's activity and reduce both financial and legal consequences of selling away.

Product Support, Tools and Calculators. Fourteen percent of advisers reported the importance of "Better value in terms of product support, tools and calculators" as the driving factor in only using advisor-sold plans. This low percentage indicates that product providers have an opportunity to distinguish their plan and drive sales by implementing differentiated product support, tools and calculators.

C. Why a Direct Plan Is Recommended

Exhibit 3-5 details responses to the question of "Which of the following are the most compelling reasons for you to recommend a direct-sold 529 plan for your clients? (Please select all that

Exhibit 3-4

Adviser Surveys 2012–2015: Top Reasons for Never Recommending a Direct-Sold Plan

Response	2012	2013	2014	2015
Better selection of investment options (e.g., preferred investment managers are only available on advisor plans, variety of investment options)	34%	32%	34%	43%
Lack of commissions or trails	44%	52%	50%	38%
My firm has a preferred, or restricted, list	27%	27%	33%	34%
Other, please specify	24%	19%	21%	22%
Better value in terms of product support, tools, and calculators	23%	19%	16%	14%

Source: Strategic Insight.

Exhibit 3-5

Adviser Surveys 2012–2015: Top Reasons for Recommending a Direct-Sold Plan

Response	2012	2013	2014	2015
Lower fees for client	63%	65%	64%	65%
In-state tax incentives	62%	62%	64%	63%
529 plan account value is small compared to client's total advisory relationship	39%	36%	27%	28%
Adviser compensation on adviser-sold plans does not justify the time required to open and maintain a 529 account	22%	26%	22%	20%
Access to preferred investment manager and options	19%	18%	14%	11%
Other (please specify)	9%	5%	3%	9%
Access to preferred product support and tools	15%	10%	10%	5%
High expected level of client interaction with plan (e.g., rewards programs, online communities)	13%	8%	8%	4%
Lack of 529 brokerage accounting ("omnibus")	N/A	N/A	11%	3%

NA = Response was not included on 2012 and 2013 surveys.
Source: Strategic Insight.

apply).” The top response was “Lower fees for client” at a rate of 65%, which is in line with historical response rates.

The second highest response was “In-state tax incentives” at a rate of 63%, which also aligns with historical response rates. This is confirmed by one financial adviser with Ameriprise in Louisiana noting, “The compliance is a pain when you sell an out of state 529 to a client.” Strategic Insight projects lower fees and in-state tax incentives to continue as leading factors for advisers to sell direct-sold plans.

Small Balances & Lower Compensation. The response “529 plan account value is small compared to client’s total advisory relationship” was selected by 28% of advisers in 2015 compared to 39% in 2012. Also, the response of “adviser compensation on advisor-sold plans does not justify the time required to open and maintain a 529 account” was selected at a rate of 20% in 2015 compared to 26% in 2013. While these response rates have been decreasing, a number of open-ended responses confirm that these factors still persist:

- “Asset level doesn’t justify my involvement”
- “Small monthly contribution plans.”
- “No other opportunity for business with the prospect”
- “It is much easier than doing it through me”

Another line of thinking is that the advisers provide advice without charging a load or trail as a means to build trust for larger pools of assets in other savings goals. For example, one adviser noted “If I think that showing them the no load option will lead to more trust and/or more business.” Lastly, the balances are so small that the 1% or 2% from credit card rewards is a meaningful factor in asset accumulation as noted in this response, “Credit card hook up as an incentive to save more.” Therefore, product providers should message to advisers that the cost of four-year tuition in 18 years is not a small ticket, and especially for parents with multiple children or grandchildren. Also, 529s can to lead to sales in other product areas (see Chapter Four). Lastly, student loan debt has a negative impact on other savings goals including retirement, and reduces the ability of the adviser to maintain the account when wealth transfers down generations.

II. ADVISER INVOLVEMENT IN DIRECT-SOLD PLANS

Exhibit 3-6 reflects what advisers do when they recommend direct-sold plans. 48% of 2015 respondents reported that they review the account statement and recommend their clients’ activity, compared to 50% in 2014 and 43% in 2013. For example, feedback in open responses includes:

- “Case by case basis: If requested by client, I do a review.”
- “I review the accounts on an infrequent basis.”
- “I review the plan in conjunction with other assets in my book.”
- “Recommendations are given, but must be executed by the client”
- “Sometimes I point them in the right direction at plan inception”

Therefore advisers are providing recommendations to varying degrees of the initial set-up and on-going maintenance of the college financial planning process.

RIAs take a more active approach, as 54% review and recommend for their clients in 2015, compared to 68% in 2014 and 51% in 2013. Since RIAs are compensated for their time and based on assets under management, it makes sense that they take a more holistic and active approach.

Despite the high percentage of advisers who give their clients recommendations, a much smaller percentage are actively maintaining the accounts for them. Only 9% of respondents reported, “I review the account and actively execute their recommended actions,” compared to 9% in 2014 and 11% in 2013. One adviser noted, “I review the plan in conjunction with other assets in my book,” while another responded, “I would review if asked.” Therefore, while many advisers recommend that their clients buy direct-sold plans, they typically are not completing the applications or executing the account actions.

Some advisers take on a much more detached role after recommending direct-sold plans. In 2015, 35% of advisers surveyed reported, “I do not oversee the portfolio, and do not request a statement for review”, compared to 32% in 2014 and 31% in 2013. In the open

Exhibit 3-6

Adviser Survey 2015: Adviser Involvement When Recommending a Direct-Sold Plan

	RIAs	Broker/ Dealer Advisors	All Advisers
I review the account statement and recommend their activity	54%	48%	48%
I do not oversee the portfolio and do not request a statement for review	22%	37%	35%
I receive the account statement, but do not review or recommend on their activity	15%	18%	17%
I review the account and actively execute their recommended actions	22%	5%	9%
Other	5%	5%	4%

Source: Strategic Insight.

Exhibit 3-7

Consumer Surveys 2013–2015: Adviser Involvement When Recommending a Direct-Sold Plan

Response	2013	2014	2015
My adviser reviews the account statement and recommends activity	34%	38%	39%
My adviser does not oversee the portfolio and does not review account statements	30%	43%	28%
My adviser receives the account statement, but does not review or recommend account activity	15%	12%	17%
My adviser reviews the account and actively executes recommended actions	19%	13%	16%

Source: Strategic Insight.

response section, one adviser responded: "I give them the phone number and that's it."

Exhibit 3-7 reports the consumer response rates in 2013, 2014 and 2015 for the same question on adviser involvement in direct-sold plans. The question was worded as, "If your adviser did refer you to a plan sold directly by your state, which best describes your adviser's involvement since you opened the plan? (Please select all that apply.)" The active involvement of advisers in Exhibit 3-6 is confirmed in Exhibit 3-7 as 39% of parents report that their adviser reviews and recommends the direct-sold activity. Furthermore, 16% of parents confirmed that their adviser reviews the account and actively executes recommended actions. Again, product providers in the adviser-sold channel need to encourage advisers to return to their plans, while direct-sold product providers should recognize the role of advisers and position accordingly.

Adviser Involvement in Selection of a Direct-Sold 529. In 2015, Strategic Insight added a new question to gain a deeper understanding of selection of 529 plans when recommending direct-sold plans. The question was worded as, "When recommending a client to use a direct plan, how do you guide them on the selection of a plan?" Ranked by response rate, the corresponding responses and response rates were as follows:

- 56% - I recommend their in-state plan
- 15% - I recommend the plans that are top rated by third parties (e.g. Morningstar, SavingforCollege.com)
- 13% - Based on my own research, I have a list of recommended direct-sold plans
- 10% - I do not provide a recommendation on a plan
- 6% - Other, please specify ______________

Most of the comments refer to using an in-state plan up to the limit of the state tax incentive, and then contributing the remaining gross sales to another plan. For example, one adviser noted, "I may max the in-state incentive, then divert excess to another state's plan if it offers better investment choices and historical returns." Another adviser reported his process of presenting the trade-off of an advisor-sold plan versus selling away to a direct-sold plan as: "I show them a plan I'm able to sell/recommend, their direct in-state plan if tax advantages exist, or an out of state plan if no tax advantages. I disclose my fees of those options, and allow them to choose, pointing out my plan is generally more expensive, but I handle everything for them - That's what they're paying me for." Based on the response rates and open responses, in-state tax incentives are a primary driver of recommending direct-sold plans. Based on this data and feedback by advisers, product providers and broker-dealers need to ensure there is an advisor-sold plan offered by those states that provide a tax incentive only for their residents. Alternatively, they need to work to incorporate tax parity in those states to ensure their advisers get compensated for providing financial guidance to their clients on college financial planning. Otherwise, advisers are not able to provide financial guidance to their clients in those states, and clients will not be financially prepared for higher education.

Exhibit 3-8

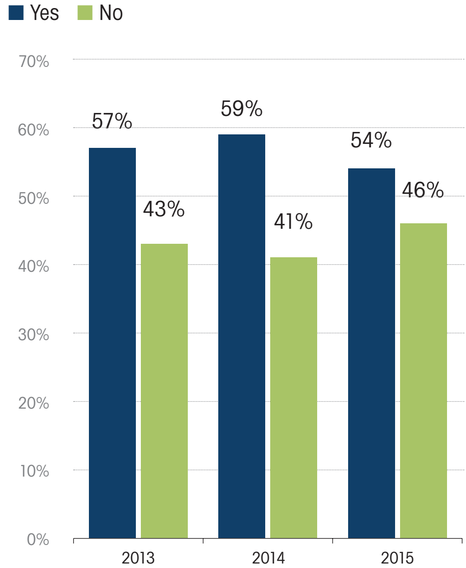
Adviser Survey 2015: Percent of 529 Sales that Lead to More Business with the Client

Frequency	Broker/ Dealer Advisers	RIAs	All Advisers
0%	8%	15%	9%
10%	21%	25%	23%
20%	15%	15%	14%
30%	10%	10%	10%
40%	9%	0%	7%
50%	20%	15%	19%
60%	4%	10%	5%
70%	5%	6%	5%
80%	5%	4%	5%
90%	1%	0%	1%
100%	2%	0%	2%

Source: Strategic Insight.

Exhibit 3-9

Consumer Surveys 2013–2015: Percent of Clients who Opened Subsequent Account After Opening 529 Plan



Source: Strategic Insight.

III. COLLEGE SAVINGS PLANS LEAD TO OTHER SALES

One reason advisers say that they shy away from selling 529s is that they prefer to focus on big-ticket sales items. However, most advisers are overlooking the add-on sales potential of 529s, as well as not realizing that the projected four-year cost of a private college is over $429,000, as projected by Strategic Insight. While the balances in 529s may appear to be comparatively small, Exhibits 3-8 and 3-9 show that 529 sales will often lead to clients investing more money overall with that adviser.

Exhibit 3-8 shows how 529 savings plans can lead to larger assets, as well as deeper and broader relationships with an additional entry point for engagement. Advisers were asked the question of, "How often does opening a 529 lead to more business with the client (e.g., brokerage, IRA, managed accounts, insurance, ect.)?" While 46% of all advisers said that clients open up additional accounts between 0% and 20% of the time, 54% report clients open accounts more frequently. This suggests a significant payoff for advisers who recommend 529s, and product providers need to reiterate the importance of 529s in creating a broader and deeper relationship with their clients.

This data is confirmed by Strategic Insight's 529 consumer survey this year, as 54% of families reported that after opening a 529 account, they proceeded to open another type of account with the same adviser. This suggests that a 529 account can be a great starting place for an adviser to build relationships with their clients, while also suggesting that 529s are not just a small-ticket account. This perspective is confirmed in Exhibit 2-5B that reports 39% of advisers confirm that "Selling 529s help me to acquire clients" and Exhibit 2-5C that reports 69% of advisers confirm that "Selling 529s help me to retain clients." Sales of 529s, therefore, lead to larger assets, as well as a deeper and broader relationship with current clients and targets.

IV. THE EMPLOYER CHANNEL

A. Consumer Survey

In the Strategic Insight 529 Consumer Survey 2015, 27% of parents answered that they use a 529 college savings plan to save for college, but only 16% reported that they enrolled in those plans through their employers. More important: 98% of the 529 users who enrolled through their employer use automatic funding to deposit into their accounts. Of those, 58% have the automatic contributions from their payroll deductions while 40% have it set up from their saving or checking accounts. Lastly, product providers have an opportunity to expand product support through the employer channel, as only 13.7% of respondents cited employers as one of their sources of information compared to 13% in 2014 and 12% in 2013. Therefore, product providers have an opportunity to increase their volume of automatic contributions by improving their product support of selling 529s through the employer channel.

B. Employer Survey

The PLANSPONSOR 2014 Defined Contribution (DC) Survey results incorporate the responses of DC retirement plan sponsors from a broad variety of U.S. industries. Between late June and early September 2014, approximately 50,000 survey questionnaires were sent to DC plan sponsors from the PLANSPONSOR magazine database, as well as to client lists supplied by DC providers; Over 5,000 total usable responses were received by the close of the survey. Based on the survey responses, 7.8% of plan sponsors offer 529 savings plans to their employees as an employee benefit, compared to 8.2% in 2013 and 6.7% in 2012. Product providers have an opportunity to increase the sales of 529s through the employer channel, as employer survey data confirms the underutilization of 529s as part of the employer benefits package.

C. Adviser Survey

529 product providers should note that the majority of advisers work with both the retail and institutional channels. Exhibit 1-6 reports 23% of adviser responses from the Strategic Insight 529 Adviser Survey 2015 focus on only the retail channel, while 77% focus on both the retail and institutional channels. Providing advisers with the tools needed to succeed in both channels will expand distribution of 529s sales.

The survey also asked about the importance of an employer offering on the decision making process of an investor. Of advisers surveyed, 27% think that employees would certainly use a 529 if an employer offered it as part of a benefits package. Additionally, 38% think this offering would very likely lead to usage of 529s, while 26% reported that the offering would be somewhat likely lead to usage. Therefore, 65% of the advisers believe that offering a 529 plan as part of an employer benefits package would certainly or very likely lead to usage of 529s.

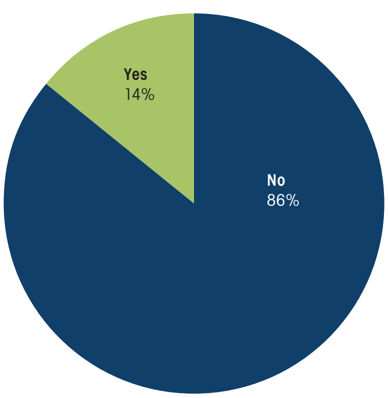
The survey also asked advisers "What are the perceived issues with 529 plans by investors? (Please select all that apply)." The implicit perspective of the question is that advisers would offer the product to their clients if they believed they wanted the product and that it would help them. By identifying the perceived issues of the product by clients, we are able to better understand the perspective of the adviser. "Lack of employer match" was a perceived issue with 529s by investors, as reported by 22.1% of advisers.

New Employer Section. In 2015, the adviser survey included four new questions relating to the employer channel. The first question asked, "Do you sell employer-sponsored 529 plans" and provided the following definition: "An ER529 plan enables employers to provide an employee benefit with no start-up costs or recordkeeping expenses to employers and no up-front sales charge for participants." Exhibit 3-10 reports that 86% of survey participants responded no, while 14% responded yes. Therefore, product providers have an opportunity to expand adviser utilization of 529s within the employer channel.

For advisers that do not sell employer-sponsored 529s plans, the survey asked "Why do you not sell employer-sponsored 529 plans?" The survey provided six responses, and asked for them to select all that apply. Based on Exhibit 3-11, the top response at a rate of 55% was "I don't know enough about them." To a lesser degree, the second ranked response was "I don't have a lot of client interest" at a rate of 36%, followed by "I need better support from my product partner" at a rate of 28%. The last three responses all received response rates of less than 20%. This indicates the leading reasons why advisers are not selling employer-sponsored 529s are lack of understanding (55%), lack of client interest (36%) and the need for better product support (28%), as opposed to lack of production or compensation (18%), lack of operational efficiency (17%) or lack of payroll deduction available (15%).

Exhibit 3-10

Adviser Survey 2015: 'Do you sell employer-sponsored 529 plans?'



Source: Strategic Insight.

Exhibit 3-11

Adviser Survey 2015: Adviser Hurdles to Selling Employer-Sponsored 529 Plans

Response	2015
I don't know enough about them	55%
I don't have a lot of client interest	36%
I need better support from my product provider	28%
Not a good use of my time	18%
Too much oversight or paperwork	17%
No payroll deduction available or challenges with payroll deductions	15%

Source: Strategic Insight.

Exhibit 3-12

Adviser Survey 2015: Product Support Enhancements in Demand for Selling Employer-Sponsored 529 Plans

Response	2015
Easier account set up process	59%
Payroll deduction options	56%
Employee educational materials	53%
Retirement plan and 529 plan easily integrated (i.e. same investment manager)	35%
Reduce paperwork	35%
Better operational support from my product provider	32%
Online capabilities for my clients	21%

Source: Strategic Insight.

For those that do sell employer-sponsored 529 plans, the survey asked, "What elements could be improved to support your sales of Employer Sponsored 529 plans? (Please select all that apply)," with seven potential responses. As reported in Exhibit 3-12, the top three responses, each at a rate of over 50%, were "Easier account set up process" (59%), "Payroll deduction options" (56%) and "Employee education materials" (53%). The second tier of three responses, all with a response rate above 30%, was "Retirement plan and 529 plan easily integrated (i.e. same investment manager)" (35%), "Reduce paperwork" (35%) and "Better operational support from my product provider" (32%). The lowest rated response was "Online capabilities for my clients" (21%). Therefore, product providers should create a product road map to enhance sales through the employer channel by focusing on improving the account set up process, payroll deduction options and employer education materials, while integrating the retirement and 529 plan platforms.

For those that do sell employer-sponsored 529 plans, the survey asked, "Which plan do you recommend the most for employer-sponsored 529 plans?" To help analyze the responses, we listed off the responses below in alphabetical order in four categories of product providers, states, plan names and combined responses. Combined responses are those that provide two or more category of responses such as product provider, state and/or plan name. Also, the list below notes that the response was provided once unless otherwise noted.

Product Provider (9 responses):

- American Funds (5 responses)
- Blackrock
- Fidelity
- Hartford
- JPMorgan

State (6 responses):

- New Jersey
- New York
- Ohio
- New Hampshire
- State plan (2 responses)

Plan Name (8 responses):

- BlackRock College Advantage
- Bright Directions (2 responses)
- CollegeAmerica
- CollegeBoundfund
- NEST
- Nextgen
- Scholar's Choice

Combination (9 responses):

- Colorado Scholars Choice
- CT - CHET Advisor (Hartford Funds)
- Illinois BrightDirections
- Hartford Smart 529 Plan
- Indiana Upromise Ascensus 529
- Legg Mason Scholars
- Merrill Lynch NextGen Plan
- South Carolina Future Scholar 529 Group Plan
- Virginia American Funds

Therefore advisers identify their preferred 529 plan of choice for the employer channel by the three categories of product providers, states or plan names, or a combination of the three. Advisers identified their top-five product providers of choice, in addition to four states and eleven plans.

V. KEY TAKEAWAYS

A. Advisers Use Direct-Sold Plans

- Roughly two-thirds of advisers sometimes or always recommend clients to purchase direct-sold plans. Advisers exhibit significant influence outside of adviser-sold plans.
- RIAs are more likely than advisers at broker/dealers to recommend direct-sold 529 plans—79% sometimes or always do so.
- Of advisers whose business is entirely fee-based, 41% always recommend the direct-sold plans, compared to 0% of entirely commission-based advisers. Additionally, entirely fee-based advisers always or sometimes recommend a direct-sold plan 82% of the time compared to 50% for entirely commission-based advisers.
- Of the 35% of advisers who said they never recommend a direct-sold plan, 43% reported better selection of investment options compared to 38% reporting lack of commission or trails, 34% reporting preferred or restricted lists, 22% reporting other and 14% reporting better value.
- Product providers need to improve reporting functionality such as account aggregation and operational enhancements to ensure advisers get compensated for their production, as compensation is clearly an important reason for advisers to recommend adviser-sold plans.
- Product providers need to continue building relationships with broker-dealer gatekeepers to ensure access to and ranking within preferred lists.
- Product providers need to reiterate the fact that advisor-sold plans allow them to better control and monitor their client's activity and reduce both financial and legal consequences of selling away.
- Providers have an opportunity to distinguish their plan and drive sales by implementing differentiated product support, tools and calculators, as only 14% of advisers are current driven by this factor.
- The top two reasons that advisers are recommending direct-sold plans are lower fees and in-state tax incentives.
- Advisers continue to perceive 529 business as "small ticket" and "cumbersome." Therefore, product providers need to improve the efficiency of selling, maintaining, and updating adviser-sold plans.
- Product providers should hire 529 specialists to support broker-dealer home offices in terms of discovery and implementation of technology improvement projects, rollover operational process improvement projects, share-class innovation and product developments. Once implemented, product providers should present their updates to financial advisers with the home office contacts, or ask the home office contacts for a list of top-529 producers to support.

- Product providers should message to advisers that the cost of four-year tuition in 18 years is not a small ticket, especially for parents with multiple children or grandchildren. Also, 529s can to lead to sales in other product areas (see Chapter Four). Lastly, student loan debt has a negative impact on other savings goals including retirement, and reduces the ability of the adviser to maintain the account when wealth transfers down generations.

B. Adviser Involvement in Direct-Sold Plans

- When advisers recommend direct-sold plans, 48% of advisers are actively involved in initial set-up and on-going maintenance of the college financial planning process. RIAs report a greater prevalence of active involvement.
- Most give their clients recommendations, but only 9% are actively maintaining the accounts, completing the applications or executing account actions.
- Advisor-sold 529 product providers need to encourage advisers to return to their plans, while direct-sold 529 product providers should recognize the significant role of advisers and position accordingly.
- 56% of financial advisers recommend their client's in-state 529 plan when they do recommend direct-sold plans. The primary driver is in-state tax incentives, and many advisers will recommend their in-state tax incentive up to the state tax incentive limit, and contribute the remaining to another plan based on quality of investment options and performance.

C. College Savings Plans Lead to Other Sales

- 54% of advisers report that selling 529s leads to the opening of other types of investment accounts. This suggests that a 529 account can be a great starting place for an adviser to build a relationship with a client, while also suggesting that 529s are not just a small-ticket account.

D. The Employer Channel

- 16% of parents report that they enrolled through their employer. Of those, 98% use automatic funding to deposit into their accounts with 58% coming from their payroll deductions and 40% coming from saving or checking accounts.
- Product providers have an opportunity to increase their volume of automatic contributions by improving their product support of selling 529s through the employer channel.
- Based on the PLANSPONSOR 2014 Defined Contribution (DC) survey, 7.8% of plan sponsor respondents offer 529 savings plans as an employee benefit compared to 8.2% in 2013 and 6.7% in 2012.
- 77% of advisers provide education-related financial planning services to both the retail and institutional channels, while 23% focus on only the retail channel. Therefore, providing advisers with the tools needed to succeed in both channels will expand distribution of 529 sales.
- 65% of the advisers believe that offering a 529 as part of an employer benefits package would certainly or very likely lead to usage of 529s.
- 22.1% of advisers responded that "Lack of employer match" was a perceived issue with 529s by investors.
- 86% of advisers do not sell employer-sponsored 529 plans, while 14% responded do. Therefore product providers have an opportunity to expand adviser utilization of 529s within the employer channel.
- The leading reasons why advisers are not selling employer-sponsored 529s are lack of understanding (55%), lack of client interest (36%) and the need for better product support (28%), as opposed to lack of production or compensation (18%), lack of operational efficiency (17%) or lack of payroll deduction available (15%).
- Product providers should create a product road map to enhance sales through the employer channel by focusing on improving the account set up process (59%), payroll deduction options (56%) and employer education materials (53%), while integrating the retirement and 529 plan platforms (35%).
- The advisers surveyed identified their preferred 529 plan of choice for the employer channel by the three categories of product providers, states or plan names, or a combination of the three. The advisers surveyed identified their top-five product providers of choice, in addition to four states and eleven plans.

CHAPTER FOUR
SUPPORT PREFERENCES

This chapter focuses on how product providers can increase 529 use and wallet share among advisers through enhanced product support. As discussed in Chapter Two, 20% of advisers are not satisfied with 529s as an overall product (Exhibit 2-6) and 63% of advisers find the quality of value-add practice management services important in their 529 selection process (Exhibit 2-12). Chapter Four will help identify where advisers find value in support and where enhancements are needed.

This chapter is particularly important for 529 product providers given the concentration of assets among a certain number of firms for advisers. For example, the survey asked, "How many different 529 plans do you offer to your clients?" The responses were:

- 1: 14%
- 2: 37%
- 3: 25%
- 4: 9%
- 5+: 15%

As the majority of advisers only use one or two 529 plans, product providers need to focus on improving product support to enter the short list of plans used.

I. BENCHMARK OF 529 PLAN INTANGIBLES

Product provider support is a critical driver of advisor-sold 529 plan use and satisfaction. Exhibit 3-4, for example, reported that 14% of advisers never recommend a direct-sold plan due to the better support, tools and calculators they receive for advisor-sold plans, compared to 16% in 2014, 19% in 2013 and 23% in 2012. To reinforce this sentiment and reverse the downward trend, product providers should allocate more resources to strengthening their adviser support. As discussed in the following sections, advisor-sold plans can reinforce their value proposition. At the same time, survey results show direct-sold product providers how to address pain points so that they can gain contributions from advisers.

A. Adviser Satisfaction Levels

To understand where product providers should focus their time and resources, Strategic Insight asked advisers about their satisfaction level for several factors that impact their decision to sell 529 plans. These were: overall product satisfaction, product training, client education material, marketing material, investment options, product provider call center support and investment performance. These questions allow us to identify the product support gaps that currently exist, where value is currently perceived and where the value proposition can be improved upon in the future.

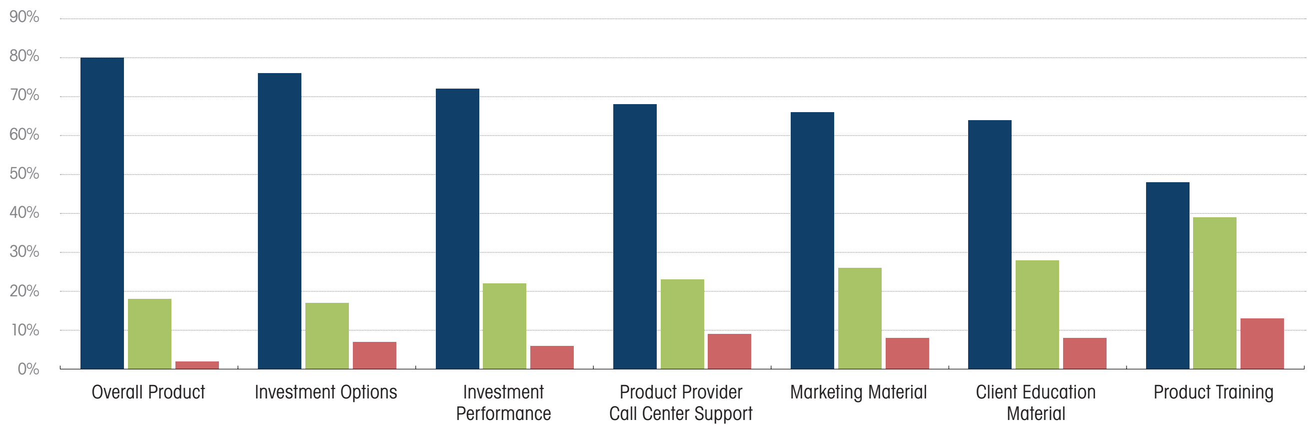
Exhibit 4-1 divides responses into three categories—satisfied, somewhat satisfied and dissatisfied. The size of the group that falls into the middle category—the neutral response of somewhat satisfied—is extremely important for product providers to note, as it demonstrates that 15% to almost 40% of advisers (depending on the factor being evaluated) are an opportune target market to improve satisfaction levels.

Advisers seem to be content with their 529 products overall, as 80% reported they were satisfied, compared to 74% in 2014, 76% in 2013 and 73% in 2012. The exhibit also indicates that they were broadly satisfied with investment options (76%) and investment performance (72%), which aligns with 2014 rankings as well. Satisfaction rates with product provider call center support rose from 61% in 2014 to 68% in 2015, while client education material decreased in ranking from fifth to sixth. Lastly, product training decreased in response rate from 56% in 2014 to 48% in 2015, and remained the lowest ranking response. Therefore, product providers have an opportunity to provide better product training.

Demand for Enhanced Services Support. Product training continues to rank lower in comparison to other categories. Advisers identify a number of hurdles (See Chapter Five) that product providers can overcome to better support them, including logistics (paperwork processing and efficiency), the added complexity of selling 529s (share class policies based on age of beneficiary) and ancillary questions (tax, estate and financial aid). Product providers should enhance product training. In the interim, this can be done by providing broker-dealer

Exhibit 4-1

Adviser Survey 2015: Importance of Product Support Factors



	Overall Product	Investment Options	Investment Performance	Product Provider Call Center Support	Marketing Material	Client Education Material	Product Training
Satisfied	80%	76%	72%	68%	66%	64%	48%
Somewhat Satisfied	18%	17%	22%	23%	26%	28%	39%
Dissatisfied	2%	7%	6%	9%	8%	8%	13%

Source: Strategic Insight.

home offices and financial advisers with access to dedicated product specialists, estate planning lawyers, accountants and financial aid specialists as a means to provide value add services to financial advisers.

B. How to Improve Adviser Support

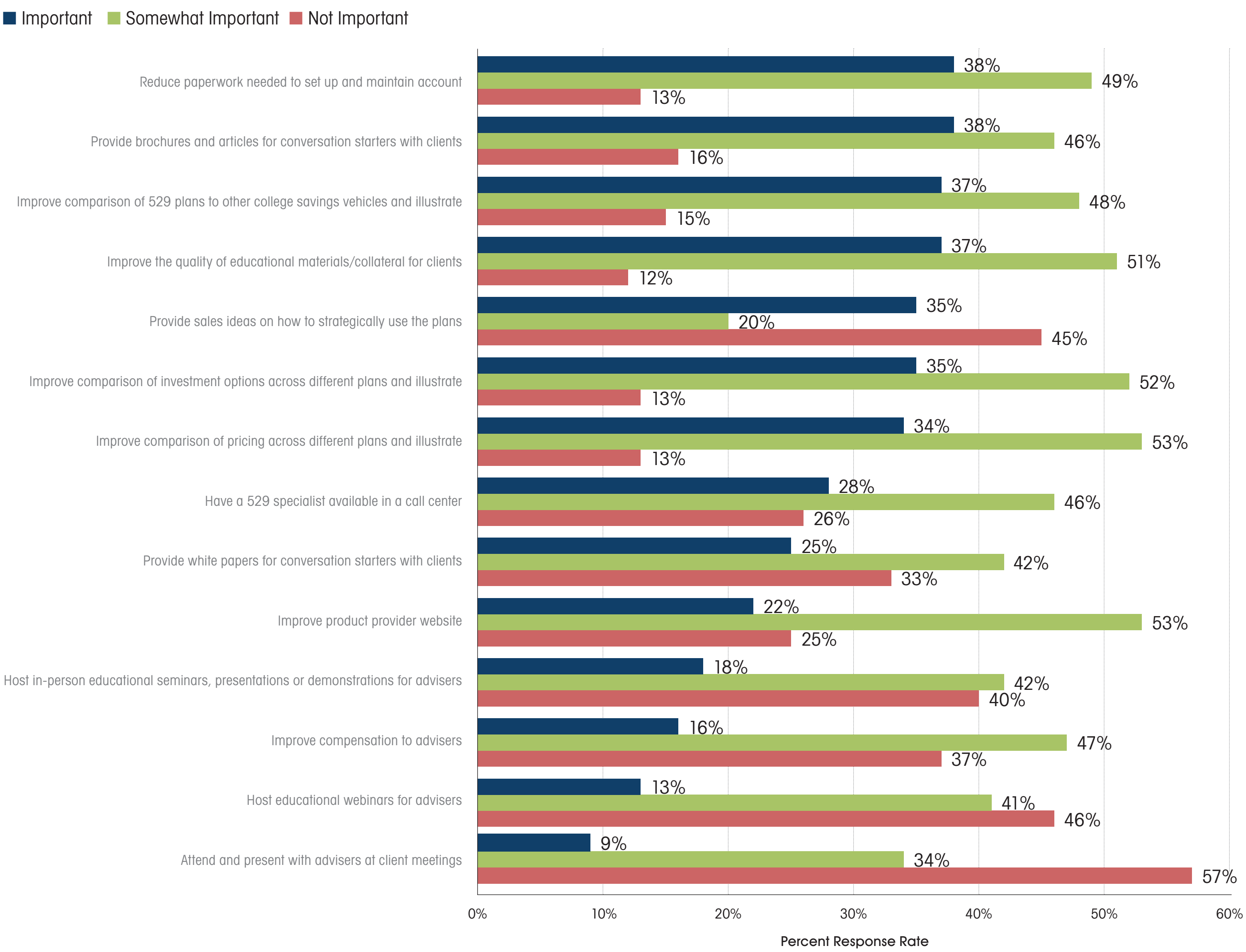
While the previous section detailed levels of satisfaction for broad factors of 529 plans, this section provides an examination of the specific types of support that advisers want to see more of from product providers. Strategic Insight asked respondents "How can the 529 plan providers better support you in distributing to clients?" Exhibit 4-2 shows the results, segmented into "important," "somewhat important" or "not important." Exhibit 4-3 narrows down these results, and ranks the factors for improvement by their "important" ratings—with a comparison to 2014 and 2013 survey rankings—which will give product providers a clear picture of what initiatives should be implemented first. The takeaways on the role of states and program managers are summarized here, and form a strategic plan for firms seeking to increase adviser participation in their plans.

Reduce Paperwork. "Reduce paperwork needed to set up and maintain account" was the highest rated response in 2015 with 38% citing it as important, compared to 34% and a ranking of sixth in 2014. Also, 87% of advisers responded that the factor was important or somewhat important in 2015 compared to 88% in 2014. Additionally, as discussed in Chapter Two, paperwork and administrative burdens were cited as reasons for advisers to recommend their clients to direct-sold plans. Therefore, product providers need to reduce the paperwork burden for advisers by implementing operational enhancement projects.

Provide Conversation Starters. The second-highest ranked method for improving support was to provide brochures and articles for conversation-starters with clients. While many advisers remark that starting the conversation about saving for higher education is easier than raising other financial topics such as life insurance, product providers should take steps to help advisers initiate, frame and accelerate this conversation. In fact, 38% of advisers in 2015 thought that it was important that they receive brochures and articles, compared to 37% in

Exhibit 4-2

Adviser Survey 2015: How Product Providers Can Better Support Advisers



Source: Strategic Insight.

Exhibit 4-3

Adviser Surveys 2013–2015: Specific Product Support Features Ranked by Importance

2015 Rank	Feature	2013	2014	2015
1	Reduce paperwork needed to set up and maintain account	43%	34%	38%
2	Provide brochures and articles for conversation starters with clients	35%	37%	38%
3	Improve Comparison of 529 plans to other college savings vehicles and illustrate	34%	37%	37%
4	Improve the quality of educational materials/collateral for clients	34%	36%	37%
5	Provide sales ideas on how to strategically use the plans	36%	37%	35%
6	Improve comparison of investment options across different plans and illustrate	32%	35%	35%
7	Improve comparison of pricing across different plans and illustrate	32%	31%	34%
8	Have a 529 specialist available in a call center	25%	26%	28%
9	Provide white papers for conversation starters with clients	27%	30%	25%
10	Improve product provider website	N/A	N/A	22%
11	Host in-person educational seminars, presentations or demonstrations for advisers	21%	15%	18%
12	Improve compensation to advisers	22%	19%	16%
13	Host educational webinars for advisers	18%	12%	13%
14	Attend and present with advisers at client meetings	11%	11%	9%

Source: Strategic Insight.

2014. Additionally, 25% want white papers for conversation starters with clients. For example, one adviser suggested, "Talking about tax incentives as immediate savings would help." Therefore, product providers need to create and distribute more efficient conversations starters for advisers to engage their clients on college financial planning.

Improve Comparisons. The third highest response rated was improving comparison of 529 plans to other college savings vehicles (37%). This was the broadest comparison of the three position responses, as the other two related to improving comparison of 529 plan investment options (35%) and 529 plan pricing (34%). Strategic Insight does provide a quarterly pricing comparison across 529 plans through our "529 College Savings Quarterly Fee Analysis," which allows product providers to benchmark and demonstrate their fees against the overall industry, channel averages and competitors. However, product providers should continue to develop and improve their own websites that compare their plans, options and pricing, as improved product provider website was important for 22% of advisers and somewhat important for 53% of advisers.

Improve the Quality of Materials for Clients. Even though 66% of advisers respond that they are satisfied with the marketing materials they are currently using (Exhibit 4-1), the vast majority of advisers (88%) responded that improving the quality of educational materials and collateral for clients was at least somewhat important. Additionally, 37% responded that this factor was a high-priority (i.e., "important") item. For example, some broker-dealer home offices are creating universal disclosure forms for advisers and their clients, and product providers should work to align their disclosure forms accordingly. Overall, product providers need to improve the quality of materials for clients.

Provide Sales Ideas on How to Use the Plan. This factor is considered important by 35% of advisers, and 55% of advisers consider this factor at least somewhat important. Advisers are aware of 529 plans and understand how they work, but do not know how to creatively leverage the product into their book of business or present 529 plans as an option for clients. For example, product providers could work with advisers to mine their book of business for clients in a state with a superior in-state tax deduction and/or credit that the adviser may have overlooked. Additionally, product providers could illustrate how advisers can use 529s within the broader context of financial aid and estate planning. As one adviser responded, "on-going support, sales ideas, materials, updates" would provide value to advisers. Therefore, product providers need to provide sales ideas to advisers on how to use 529s specifically and within their broader book of business.

Provide Access to Dedicated 529 Specialists. Availability of 529 specialists in a call center was important to 28% of survey respondents. How the advisers received access was also important, with 18% favoring educational seminars, presentations or demonstrations; 13% responded with webinars and 9% responded with product providers attending and presenting with advisers at client meetings.

In addition to the quantitative analysis, interviews with advisers and broker/dealer home office product specialists indicate a demand for dedicated wholesalers for advisers and their clients. One method that product providers could use would be to reach out to top 529 producers, as identified by the broker/dealer home office product specialists. Additionally, product providers should support the broker/dealers in their on-boarding process for new advisers, and offer the support of a rollover or paperwork specialists to help current advisers process the acquisition of new assets. Lastly, product providers should offer broker/dealers and their fleets of advisers with access to attorneys, estate planners, accountants and financial aid specialists on retainer to support any questions that arise.

II. ADVISERS' SOURCES OF INFORMATION

Product providers should allocate marketing resources to the sources of information that advisers and broker-dealer home offices use to learn about 529 plans and college financial planning. By doing so, the marketing budget will be more effectively allocated and improve the likelihood of usage of your 529 plan for college financial planning. There are numerous benefits to this approach, including the improvement of brand awareness, expansion of target markets and better preparation of the adviser to sell.

In our recent survey, Strategic Insight asked advisers, "Which sources of information do you use to learn about how to accomplish your clients' educational goals and latest trends, product developments and news impacting the college savings industry? (Please select all that apply)." Exhibit 4-4 provides a ranking of the 24 responses, which fall into four major categories:

1. Financial services institutions

2. External media

3. Government entities

4. Other sources

A. Financial Services Institutions

Advisers seek support from other financial service institutions. Product providers (sales materials, mailings) led all responses with 50% in 2015 compared to 64% in 2014 and 61% in 2013. This decrease in response was due to the addition of a new response of, "Internet websites of product providers (e.g. Vanguard.com, AmericanFunds.com)" that received a response rate of 49%. Additionally, product provider wholesalers received a response rate of 43% in 2015 compared to 51% in 2014 and 48% in 2013, while brokerage platforms (e.g., Pershing) received a response rate of 14%. Lastly, conferences and workshops received a response rate of 14%, while the adviser's employer received a response rate of 11%. Accordingly, product providers can have a material impact on the usage of 529s through a variety of levers.

Rating Agencies. Ratings providers decreased in importance again as a source of information for advisers, decreasing from 55% in 2012 to 24% in 2013 to 20% in 2014 to 18% in 2015. Despite the decrease on a year-over-year basis, they do continue to impact just under a fifth of advisers and do continue to drive a number of internal discussions.

Broker/Dealer Home Office Support and Product Specialists. Product providers should find ways to better support the home office product specialists within broker/dealers. For example, product providers should note that the 529 home office contacts are typically different than the mutual fund contacts, and build a relationship with both contacts to ensure that the

Exhibit 4-4

Adviser Surveys 2013–2015: Adviser Sources of Information on College Savings

2015 Rank	Feature	2013	2014	2015
1	Product providers (sales materials, mailings)	61%	64%	50%
2	Internet websites of product providers (e.g. Vanguard.com, AmericanFunds.com)	N/A	N/A	49%
3	Internet media sources (e.g. WSJ.com, CNN.com, CSPN.com, SavingforCollege.com)	55%	48%	46%
4	Product provider wholesalers	48%	51%	43%
5	Newspapers, magazines	47%	39%	36%
6	Your firm's product specialist	40%	45%	32%
7	Ratings providers	24%	20%	18%
8	Conferences or workshops	21%	16%	14%
9	Brokerage platforms (e.g., Pershing)	17%	17%	14%
10	Employer	10%	13%	11%
11	My resident state	11%	10%	11%
12	Electronic newsletters	11%	7%	9%
13	Friends or coworkers	9%	11%	7%
14	Print advertisements (e.g., magazines, newspapers or mailings)	7%	11%	6%
15	Social media & online communities	10%	11%	4%
16	The federal government	3%	3%	3%
17	Family members	3%	6%	2%
18	Regulatory Agency (e.g., MSRB, FINRA)	2%	3%	2%
19	Financial accountant	4%	4%	1%
20	Current school for your client's children	3%	3%	1%
21	Television commercials	2%	4%	1%
22	Lawyer	2%	3%	1%
23	Other (please specify)	1%	2%	1%
24	Radio commercials	2%	2%	0%

Source: Strategic Insight.

right questions are being sent to the right people. "Your firm's product specialist" received a response rate of 32% in 2015, compared to 45% in 2014 and 40% in 2013. Despite the decrease in response rate, product providers should support the 529 home office contacts to ensure proper listing and promotion of your plans within their fleet of advisers.

B. External Media

The second major category of sources of information for advisers is external media. The third highest rating in Exhibit 4-4 was Internet media sources (e.g. WSJ.com, CNN.com, CSPN.com, SavingforCollege.com) with 46%. Other digital media sources include electronic newsletters (9%) and social media and online communities (4%). In terms of traditional media sources, the fifth ranked response was newspapers, magazines with 36%. Additionally, print advertisements (e.g., magazines, newspapers and mailings) received 6%, while television commercials received only 1% and radio was not mentioned at all. While the latter two may be popular areas for marketing, their current level of influence is relatively low. Therefore, both traditional print media and newer digital media formats are more important for reaching advisers.

C. Government Entities

The third major category of responses includes the role of various state and federal institutions in the adviser education process. Advisers' resident states ranked the highest of these (11%), while the federal government received a lower response (3%). Regulatory agencies (e.g., MSRB, FINRA) also received a low response rate of 2%. These results are due to the visibility of state institutions, which are much more active in educational outreach—including fairs, working with the media and literacy campaigns, offering rewards programs to parents, etc. Product providers should encourage those efforts given the long-term opportunity for government entities to support the education of advisers and improve the legislative landscape of college investment vehicles.

D. Other Sources

The fourth category includes peripheral influencers to advisers, and all of these factors received a rate below 10% of adviser responses. Responses in this category include friends or coworkers (7%), family members (2%), financial accountants (1%), current schools of clients' children (1%), lawyers (1%) and others (1%). Open responses in the other category included references to industry magazines, independent research and calls to providers with specific inquiries. Despite the impact of these sources, they are more peripheral in nature and so product providers should focus on the first three categories: financial service institutions, external media and government entities.

III. PUSH VERSUS PULL MARKETING

This section evaluates the level of initiative by advisers in starting the college savings discussion (proactive versus reactive). These survey results regarding advisers' level of activity are tied into the discussion on whether product providers should follow a push or a pull marketing strategy. The impact of this discussion determines how 529 product providers can build the most effective strategies to draw in new advisers and their clients.

New account openings are one of the primary drivers of future asset growth and one of the top benchmarks used to measure the success of program managers, but they are only the first step in asset accumulation. For example, advisers and their clients must still take additional steps to make recurring contributions and actively maintain their accounts. Product providers need marketing strategies that entice investors to come to the table, as well as strategies to get them to stay active. This section examines the level of initiative among advisers in creating the college financial planning discussions with their clients.

A. Who Initiates the Conversation?

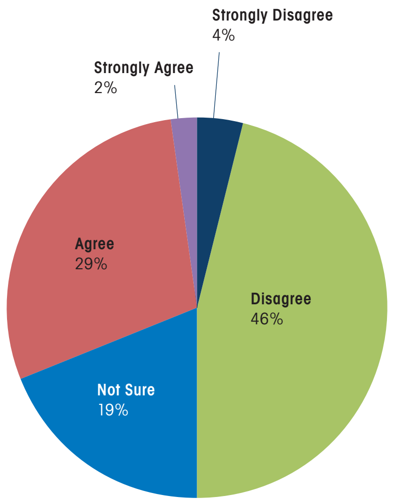
Strategic Insight surveyed advisers on their level of agreement with the statement, "Investors usually initiate the conversation about college savings." Exhibit 4-5 shows that 31% agree or strongly agree with the statement, compared to 28% in 2014, 25% in 2013 and 24% in 2012. Conversely, 50% disagreed or strongly disagreed in 2015 compared to 61% in 2014, 63% in 2013 and 74% in 2012. These results may indicate that investors are more aware of the importance of college planning (and avoiding the ever-increasing debt that burdens families and students), and are raising the subject with their advisers more often.

Exhibit 4-6 indicates that, while financial advisers generally confirm that their clients do not initiate the conversation about college savings, RIAs are more inclined to agree with the statement, with 50% agreeing or strongly agreeing. The response rate of 50% in 2015 for RIAs is an increase from 33% in 2014 and 26% in 2013. This increase aligns with their client-interactive business model and the increase in student loan debt coverage in the media.

To understand if advisers were taking initiative in response to the low percentage of clients who initiate the conversation, Strategic Insight asked how much they agreed or disagreed with the reverse statement: "Advisers usually initiate the conversation about college savings." Exhibit 4-7 shows that 70% of advisers agreed or strongly agreed with the statement, compared to 72% in 2014, 74% in 2013 and 78% in 2012. Exhibit 4-8 shows that 74% of financial advisers say that they are initiating the conversation in comparison to

Exhibit 4-5

Adviser Survey 2015: Responses to 'Investors usually initiate the conversation about college savings'



Source: Strategic Insight.

Exhibit 4-6

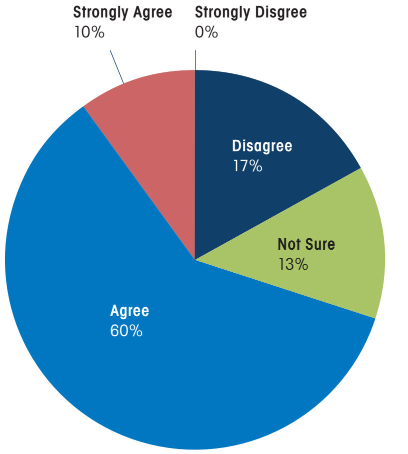
Adviser Survey 2015: Responses to 'Investors usually initiate the conversation about college savings,' by Adviser Type

Response	RIAs	Financial Advisers	All Advisers
Strongly Agree	2%	2%	2%
Agree	48%	23%	29%
Not Sure	17%	20%	19%
Disagree	29%	53%	46%
Strongly Disagree	4%	3%	4%

Source: Strategic Insight.

Exhibit 4-7

Adviser Survey 2015: Responses to 'Advisers usually initiate the conversation about college savings'



Source: Strategic Insight.

Exhibit 4-8

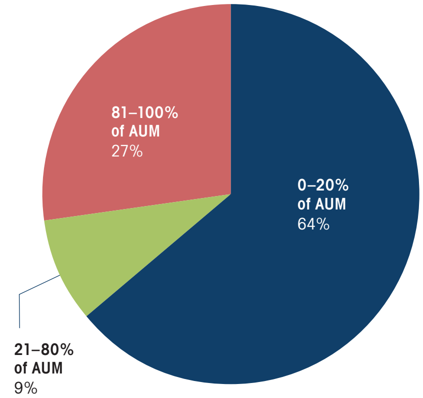
Adviser Survey 2015: Responses to 'Advisers usually initiate the conversation about college savings,' by Adviser Type

Response	RIAs	Financial Advisers	All Advisers
Strongly Agree	6%	12%	10%
Agree	56%	62%	60%
Not Sure	17%	11%	13%
Disagree	21%	15%	17%
Strongly Disagree	0%	0%	0%

Source: Strategic Insight.

Exhibit 4-9

Adviser Survey 2015: Responses to 'What percent of 529 plan assets that you have sold does your firm reflect as AUM for billable purposes?'



Source: Strategic Insight.

62% of RIAs. Therefore, financial advisers are reporting that they are more proactive in initiating the conversation than RIAs. Collectively, the two exhibits reflect that advisers report they are the much more likely to be the ones who initiate the conversation on college savings.

B. Billing on Held-Away Assets

To help ensure that a push strategy is successful, product providers need to help advisers get paid on held-away assets. While compensation was not reported as a leading factor driving the usage of 529s, advisers are less inclined to allocate their time and resources to sell products if they are not compensated sufficiently (or in some case, at all). As reported in Exhibit 4-3, 16% of advisers responded that improving compensation is important to encouraging them to focus more on college savings plans.

Exhibit 4-9 gives insight into the percentage of 529 plan assets sold by advisers that is reflected for billable purposes by their firms. Survey respondents were asked to choose one of five ranges. Two-thirds of advisers (64%) reported the lowest percentage (0% to 20%), which shows that most advisers are not being adequately compensated for their 529 sales. In contrast, 27% of advisers reported their firm reflects 81% to 100% of sold 529 assets. Roughly 9% are getting paid a partial amount between 21% and 80%. Perhaps a surprise: 69% of RIAs are compensated on 20% or less of their 529 assets, compared to 64% of financial advisers. Product providers should help advisers (and their firms) bill on held-away assets across all distribution channels, and particularly the RIA channel.

C. Frequency of the Conversations

While it is important to know who initiates the conversations, knowing the frequency of adviser/client interaction around college savings provides a deeper understanding of how 529 plans are selected and distributed. Strategic Insight surveyed advisers on how frequent they discussed college savings with their clients, regardless of who initiated the conversation.

Exhibit 4-10 shows that the topic is on clients' minds, at least on a semi-regular basis: 86% of advisers reported that clients brought up the topic at least once a year, and 52% reported that clients did so at least once every six months. Also, 96% of advisers report that they bring up the topic at least once a year, and 72% report that they bring up the topic at least once every six months. While advisers reported initiating the discussion on a more frequent basis, clients are doing so regularly as well.

Exhibit 4-10 also shows how frequently advisers re-evaluate their clients' 529 plans and investment options of choice—an important data point for product providers to assess their opportunity to gain assets from competitors. As reported in the exhibit, 68% of advisers re-evaluate their clients' 529 plans at least once a year. However, 11% of advisers report that they do not re-evaluate their primary 529 plan of choice. Therefore, product providers have an opportunity to gain market share among the 68% that regularly review their primary 529 plan of

Exhibit 4-10

Adviser Survey 2015: Adviser Involvement When Recommending a Direct-Sold Plan

Activity	Once Every Three Months	Once Every Six Months	Once Every Year	Once Every Three Years	Once Every Five Years Or More	Does Not Occur	Not Applicable to Target Market
A client initiates a discussion about college savings	22%	30%	34%	12%	1%	1%	0%
You initiate a discussion with a client about college savings	47%	25%	24%	2%	0%	1%	1%
You re-evaluate your primary 529 plan of choice used for most clients	7%	17%	44%	16%	4%	11%	1%
You review investment options for your clients who have 529 plans	10%	20%	54%	11%	2%	3%	0%

Source: Strategic Insight.

choice, while also engaging those 11% that do not re-evaluate, as they most likely have not had a discussion with a 529 wholesaler on the topic in multiple years.

Reviews of investment options for clients who have 529 plans occur at a slightly more frequent rate, with 84% of advisers doing so at least once a year. These re-evaluations and reviews are an opportunity for product providers to compete for both new and existing accounts. For those advisers who have not revisited 529 plans in a few years, product providers should encourage them to look again—advisers and their clients may be positively surprised at the progress in terms of fees and performance in such a short time.

IV. KEY TAKEAWAYS

A. Benchmark of 529 Plan Intangibles

- As the majority of advisers only use one or two 529 plans, product providers need to focus on improving product support to enter their short list of plans used.
- Provide broker-dealer home offices and financial advisers with access to dedicated product specialists, estate planning lawyers, accountants and financial aid specialists as a means to provide value-add services to financial advisers.
- Create a product road map that implements non-investment and operational enhancements, and improves the quality, diversification and breadth of the underlying investment options.
- Advisers are generally satisfied with 529 plans overall, investment options and investment performance, but improvement is needed: about one-fifth to one-quarter are not satisfied.
- Product providers need to enhance product training, as only 48% of advisers are satisfied with that factor. Client education materials also need improvement, as a third of clients are not satisfied with the material they are receiving.
- Product providers need to implement projects that reduce the paperwork needed to set up and maintain an account, while also improving the product provider website.
- Create and provide advisers with conversation-starters and educational material for their clients.
- Create and provide advisers with sales ideas on how to use 529 plans strategically
- Improve comparisons of 529 plans to other college savings vehicles, and 529 plan investment options and pricing across different plans, and provide compelling case studies that illustrate the plan's advantages.
- Many advisers also find value in working with specialists, seminars, webinars, call centers and white papers.

B. Advisers' Sources of Information

- Educate advisers as to why they should revisit 529s and specifically your plan based on new product developments, improved pricing, performance, investment options, marketing material and overall operational capabilities.
- Improve relationship management with broker-dealer home office 529 product specialists, and work with them to implement enhancements such as in the creation of a universal disclosure form and application.
- Product providers should allocate marketing resources to the sources of information that advisers and broker-dealer home offices use to learn about 529 plans and college financial planning, as it will improve brand awareness, expand target market and train advisers to sell 529s to their clients.
- The four major marketing categories are: financial services institutions, external media, government entities and other sources.
- Product providers can have a material impact on the usage of 529s through a variety of levers including sales materials, mailings, Internet websites, wholesalers, brokerage platforms, conferences and workshops. While advisers are leveraging ratings agencies and broker-dealer home office 529 specialists less frequently, product providers should open a line of communication and build a relationship with both as they are key influencers for advisers and the industry.
- Product providers should leverage both traditional print media and newer digital media formats to broaden and deepen relationship with advisers.
- Product providers should encourage government entities to support the education of advisers and improve the legislative landscape of college investment vehicles.

C. Push versus Pull Marketing

- Implement technology enhancements to improve the functionality for and experience of financial advisers, while also improving the ability of advisers to get compensated for managing the 529 assets.
- While the majority of the conversations continue to be driven by advisers, the clients are increasingly initiating the conversation of college financial planning.
- A higher percentage of RIAs are reporting that their clients are initiating the college financial planning discussion, while a lower percentage of RIAs are reporting that they are initiating the college financial planning discussion with clients than other types of advisers. This aligns with their client-responsive business model and the increase in demand for college financial planning by their clients.
- While more advisers are getting compensated for selling 529s (27% in 2015 compared to 19% in 2014), product providers still need to help advisers bill on held-away assets, particularly in the RIA channel.
- Most advisers reported that clients brought up the topic at least once a year or more frequently, and in many cases, at least once every six months.
- Most advisers re-evaluate their clients' primary 529 plan of choice and investment options at least once a year, which gives product providers an opportunity to expand their book of business from their competitors.
- A small percentage (11%) of advisers do not re-evaluate their primary 529 plan of choice—an opportunity for product providers to gain market share among stagnant advisers.
- Advisers who have not revisited 529 plans in a few years should be encouraged to review those plans, as they will be positively surprised at the enhancements in terms of fees, performance and quality of investments. Therefore, 529 product providers can increase contributions by engaging and re-engaging this adviser segment.

CHAPTER FIVE
STRATEGIC ROADMAP

I. RECOMMENDATION TRENDS IN THE NEXT YEAR

Previous chapters in this study examined the attitudes of advisers towards college savings and 529 plans, their savings vehicle selection process and the enhancements they want to see from product providers. This report closes with an analysis of the propensity of advisers to recommend 529 plans going forward and what roadblocks they perceive as needing resolution in order to sell more.

To better gauge the projected growth of the advisor-sold channel and the broader college savings plan industry, Strategic Insight asked survey respondents to indicate whether they expected to recommend 529 plans to clients more often, the same or less often over the next 12 months in comparison to the prior 12 months. Exhibit 5-1 provides results from the 2011, 2012, 2013, 2014 and 2015 adviser surveys for comparative purposes.

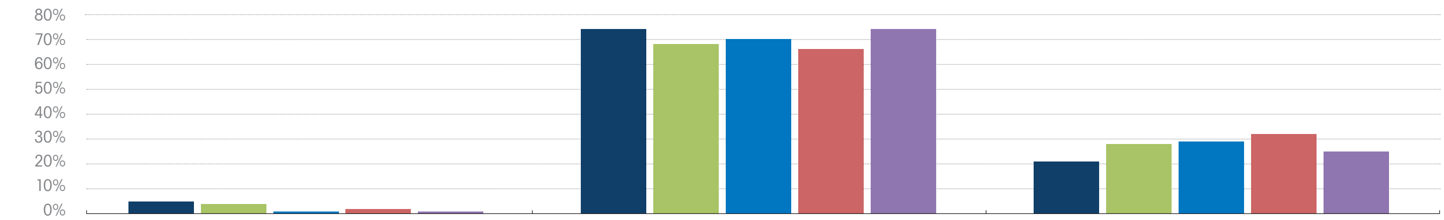
Exhibit 5-1 reports a projected growth in gross sales momentum for the 529 industry. In 2015, 25% of all advisers responding to the survey expected to recommend 529 plans more often next year, compared to 32% in 2014, 29% in 2013, 28% in 2012 and 21% in 2011. Therefore the response rate of 25% was lower than the prior three years and higher than 2011. This relative decrease in those responding that they would use 529s more next year was offset with a relative increase in those responding that they would recommend 529s the same next year. For example, 74% of advisers responding to the survey expected to recommend 529s the same next year compared to 66% in 2014. Lastly, the percent of advisers expected to recommend 529s less next year went from 2% in 2014 to 1% in 2015. Therefore, adviser-driven gross sales is projected to grow in 2016 and in the near future as advisers are expecting to recommend them more next year.

While advisers in the RIA channel reported similar responses to the overall response level, there was variation by distribution channel. Exhibit 5-2 reflects that 25% of RIAs responded that they will recommend more 529 plans next year compared to 29% in 2014, 22% in 2013, 25% in 2012 and 11% in 2011.

From the highest percentage of advisers responding that they would increase usage of

Exhibit 5-1

Adviser Surveys 2011–2015: Expectations of Recommending 529s in the Next Year, All Advisers

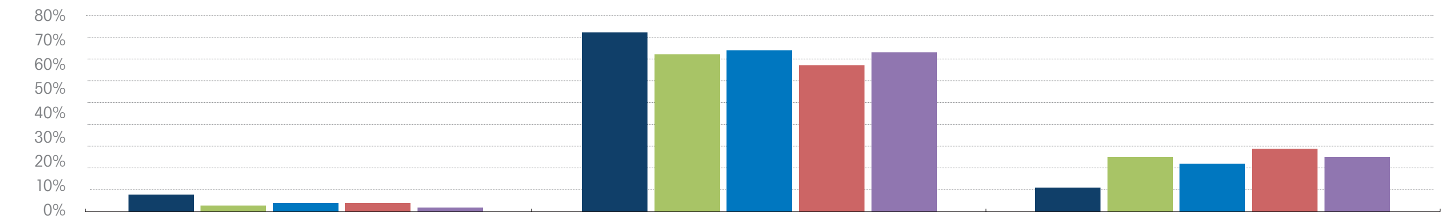


	Less	Same	More
2011	5%	74%	21%
2012	4%	68%	28%
2013	1%	70%	29%
2014	2%	66%	32%
2015	1%	74%	25%

Source: Strategic Insight.

Exhibit 5-2

Adviser Surveys 2011–2015: Expectations of Recommending 529s in the Next Year, RIAs Only



	Less	Same	More
2011	8%	82%	11%
2012	3%	72%	25%
2013	4%	74%	22%
2014	4%	67%	29%
2015	2%	73%	25%

Source: Strategic Insight.

529s next year to the lowest, the response rates by channel were 27% of wirehouse advisers, 26% of regional advisers, 25% of RIAs, 22% of independent channel advisers, 13% of bank channel advisers and 12% of advisers in the insurance channel. While advisers in the wirehouse, regional and RIA channel reported above average rates, advisers in the independent, bank and insurance channels reported below average rates.

II. STRATEGIC INITIATIVES FOR PERCEIVED ISSUES

This section examines the key components of a strategic roadmap for distributing 529s based on quantitative and qualitative analysis. Strategic Insight specifically asked advisers for their view of issues as perceived by investors, as many industry consultants and product providers confirm that they would sell 529 plans more if they perceived more demand from investors.

Exhibit 5-3 details adviser responses to the 15 issues that are typically listed as barriers to expansion of 529 plan sales. We categorize and summarize all of the responses here within four themes: the broader economy, returns, perception and technical hurdles.

A. Broader Economy: Competing Goals and Uncertainty

The topic "the broader economy" includes competition from other savings goals and overall economic uncertainty. For the fourth year in a row, the top roadblock to clients using 529s, advisers say, is that other savings goals get priority over education (with a response rate of 57% in 2015 compared to 54% in 2014 and 59% in 2013). One adviser comment relating to this category was "Not enough disposable income." Overall economic uncertainty ranked 13th in 2015, compared to sixth in 2013 and fourth in 2012—a decline that no doubt reflects investors reaction to a gradually improving economy.

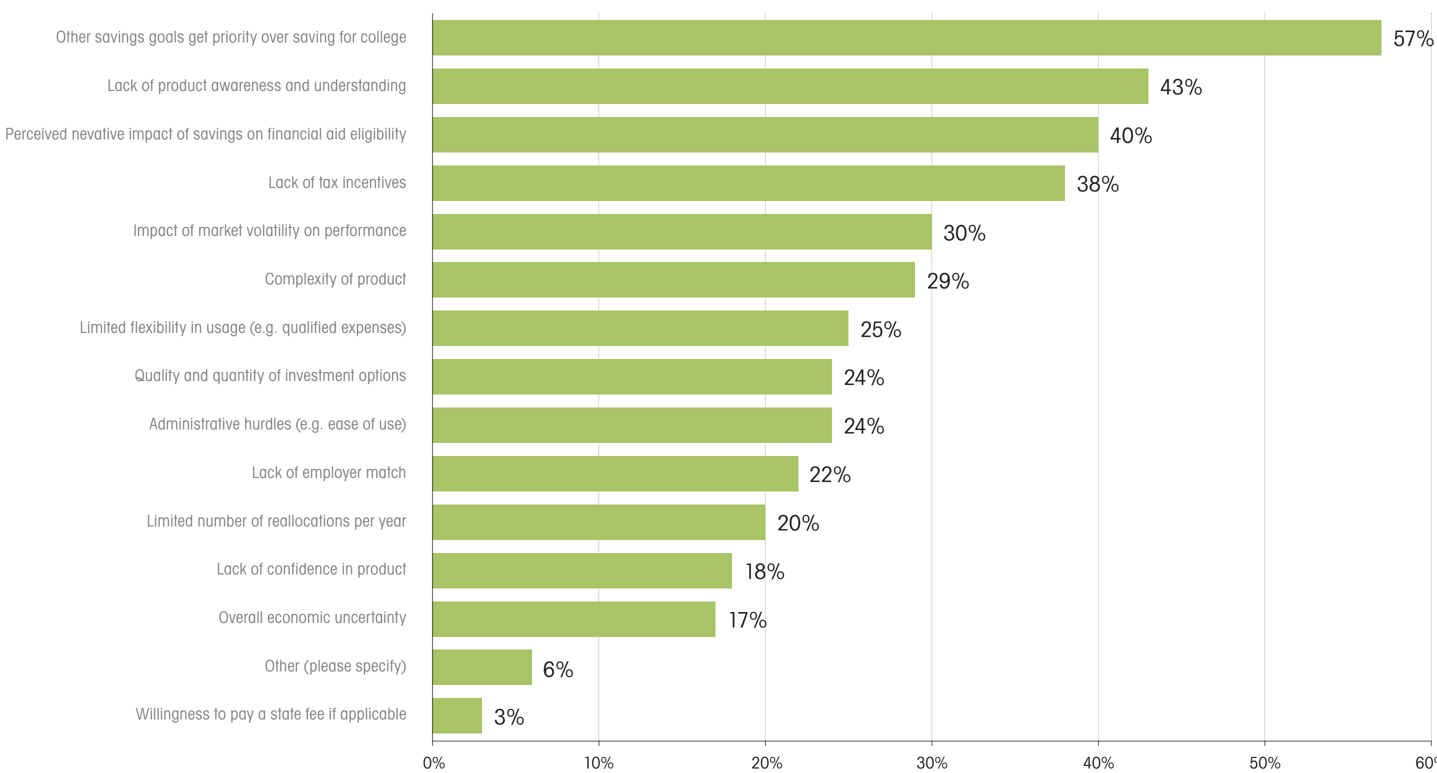
Despite this trend, Strategic Insight believes that product providers need to focus on raising awareness of the priority of saving for educational goals by emphasizing how important higher education is to the financial future of families and their children. For example, there is an abundance of publicly available data illustrating employment rates and the greater earnings potential over time for college graduates versus those without a degree. In an environment where tuition inflation, student debt and lingering unemployment are causing many parents and children to question the value of higher education, arming advisers with this sort of information may help their clients realize that college financial planning is as important as retirement and other goals.

B. Perception: Awareness, Understanding, Complexity and Confidence

The second category of issues pertains to investors' perceptions of 529 plans and includes three responses shown in Exhibit 5-3. Additionally, this section will include open responses related to tuition inflation and student loan debt. Lack of product awareness and understanding led the category and ranked second overall, with a 43% response rate in 2015 compared to a 50% response rate in 2014, 52% in 2013 and 49% in 2012. The next response in this category was complexity of product, with a 29% response rate and ranking of sixth compared to a 32% response rate and ranking of fifth in 2014 and compared to 36% (third) in 2013. The third response in this category was lack of confidence in product, with 18% of responses and a ranking of twelfth in 2015, compared to 28% (twelfth) in 2012. Collectively, these responses show that product providers need to continue to expand

Exhibit 5-3

Adviser Survey 2015: Perceived Issues with 529 Plans



Source: Strategic Insight.

their outreach and focus on continuous education through smart tactical touchpoints, which will also help to improve parents' perception of the product and therefore expand demand.

Some of the adviser comments relating to this category were:

- "Education on advantages of the plans available."
- "How to incorporate 529s into Robo selection models with so many different state tax incentives."
- "Lack of belief in long-term compounding, dismay over costs of college."
- "Procrastination."
- "Small balances."
- "Some people just not aware."
- "The average individual hasn't a clue about 529 plans."

C. Returns: Market Volatility, Investment Quality, Tax Incentives and Financial Aid

Several adviser responses focused on topics related to investment options and returns. The top-ranked response in this category was the perceived negative impact of savings on financial aid eligibility with 40%. The second-ranked response in this category was lack of tax incentive, with 38% of responses in 2015 compared to 37% of responses in 2014, 31% in 2013 and 43% in 2012. The third-ranked response in this category was the impact of market volatility on performance, which received 30% of responses in 2015, compared to 20% in 2014, 24% in 2013 and 37% in 2012. The fourth-ranked response in this category was quality and quantity of investment options with a response rate of 24% in 2015 compared to 26% in 2014 and 24% in 2013. Based on these responses, Strategic Insight believes that product providers should educate families on the impact of 529s on financial aid, work with legislators to improve the tax incentives and increase the quality and breadth of the underlying investment options.

Some of the adviser comments relating to this category were:

- "Costs, particularly relative to performance and illiquidity."
- "High cost and poor performance."
- "Hurt themselves for financial aid, biggest drawback I have heard."
- "Lack of good fixed income options."
- "Plan fees."
- "Tax Parity Issue – added layer of analysis."
- "The limited number of reallocations per year in a high volatility market is a great hindrance."

D. Technical Hurdles: Administrative, Reallocations, Flexibility, Employer Channel and State Fees

Several adviser responses focused on topics relating to administrative and operational issues. The first response in this category was limited flexibility in usage (i.e., deduction for qualified expenses only) with 25% in 2015 compared to 26% in 2014 and 2013. The second most frequent response in this category was administrative hurdles (i.e., ease of use), named by 24% of advisers in 2015 compared to 30% of advisers in 2014. The third response in this category was lack of an employer match named by 22% of advisers in 2015 compared to 25% in 2014, 23% in 2013 and 20% in 2012. The fourth response was the limited number of reallocations per year, cited as a hurdle by 20% of advisers in 2015 compared to 17% in 2014, and 21% in both 2013 and 2012. The fifth response was clients' willingness to pay a state fee if applicable (3% in 2015 compared to 4% of responses in 2014 and 2013). Related to technical issues is the ability of advisers to be compensated for selling 529s, which was covered in prior chapters. Improving technical hurdles, therefore, will improve the long-term growth of 529s.

Some of the adviser comments relating to this category were:

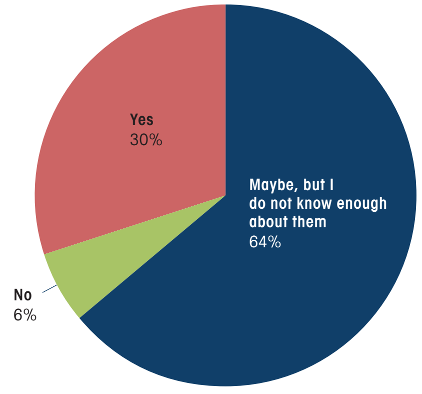
- "Biggest obstacle for rollovers is cost. Rollovers should be "free." This is a huge issue."
- "Compliance paperwork is a problem. Difficult to open 529s held at fund company as broker dealer requires a shell account making it take much longer to open and manage."
- "Distribution phase very time consuming with required paperwork and take up a lot of administrative time for adviser and assistants."
- "Duplicative forms; universal application would help."
- "FINRA Enforcement Presentation."
- "G-45: More regulation in pipeline?"
- "Low pay, hassle for size of the account, money held outside of the firm."
- "Make it easier to do the business."
- "Not being networked in."
- "Only allowed two investment changes per year."
- "Operationally Clunky."
- "Qualified distribution questions."
- "Reallocation – How can advisers get paid for advisory with only 2 reallocations per year?"
- "Suitability: A-share vs. C-share. Sometimes I have clients with 3 children. Two get C shares, while one is forced into A shares."

III. ABLE ACCOUNTS

New in 2015, advisers were asked the question of, "Would you offer an ABLE Account to your client if available? ABLE accounts are tax-advantaged savings accounts for individuals with disabilities and their families. Income earned by the accounts would not be taxed." Exhibit 5-4 reports that 30% would offer them, 6% would not offer them and 64% might sell them once they knew more about them. By channel, 40% of independent RIAs responded that they would sell them, while 21% of regional broker-dealers and 22% of bank representatives confirmed that they would offer ABLE accounts to their clients.

Exhibit 5-4

Adviser Survey 2015: Would You Offer an ABLE Account to Your Client if Available?



Source: Strategic Insight.

While one financial adviser in the independent channel responded that "I don't have enough clients who would qualify," one wirehouse financial adviser responded that "Not until the rules are clarified and consistent across states." While it is positive that 30% of respondents would sell ABLE accounts, the majority of advisers will wait on the sidelines until more information is available about them so that the advisers can make a more informed decision.

IV. CONCLUSION AND CALL TO ACTION

In this report, Strategic Insight has examined how product providers could sell more 529 plans by analyzing advisers' support, selection and distribution preferences. The report is primarily based on a new and deeper survey of financial advisers, and provided longitudinal analysis in comparison to prior surveys as well. Additionally, the report is based on interviews with key distribution executives, including broker-dealer home offices, advisers and product specialists.

Throughout the report, Strategic Insight has detailed ways that 529 product managers could add value in the intermediary channel, supported with data segmented by channels where significant differences exist. In conclusion, we summarize a number of topics identified by the 529 market participants. These key takeaways provide broker/dealer home offices, primary distributors, program managers, recordkeepers, investment managers, state agencies and state treasury departments with actionable, relevant and insightful recommendations for increasing adviser usage of 529s. These recommendations are grouped by broad topic below.

A. Enhance Prospects for Selection

1. Reinforce the priority of saving for higher education, and saving in an efficient vehicle in terms of tax, financial aid and estate planning with a 529 as a means to acquire and retain clients.

2. Create a product road map that implements non-investment and operational enhancements, and improves the quality, diversification and breadth of the underlying investment options.

3. Educate advisers as to why they should revisit 529s and specifically your plan based on new product developments, improved pricing, performance, investment options and overall operational capabilities.

B. Improve Distribution

1. Advisor-sold 529 product providers need to create a business, product and operations roadmap to encourage advisers to return to their plans, as opening a 529 leads to more business with the client.

2. Direct-sold 529 product providers should recognize the significant involvement of advisers directly or indirectly recommending their plans, and implement enhancements accordingly.

3. Expand distribution through the employer channel by executing product training programs for non-participating advisers and implementing product developments for participating advisers.

C. Create Better Product Support

1. Implement technology enhancements to improve the functionality for and experience of financial advisers, while also improving the ability of advisers to get compensated for managing the 529 assets.

2. Provide broker-dealer home offices and financial advisers with access to dedicated product specialists, estate planning lawyers, accountants and financial aid specialists as a means to provide value-added services to financial advisers.

3. Improve relationship management with broker-dealer home office 529 product specialists, and work with them to implement enhancements such as the creation of a universal disclosure form and application.

D. Summary

Product providers need to incorporate the needs of advisers and their clients in the strategic planning and product development process in order to create better outcomes for participants and long-term growth for the 529 industry.

As always, Strategic Insight appreciates feedback and welcomes suggestions on topics and formats to cover in future surveys and publications.

APPENDIX A
2015 STRATEGIC INSIGHT COLLEGE SAVINGS CONSUMER SURVEY

1. Are you a producing financial adviser; that is, do you sell or recommend investments to investors for a fee or commission?

a. Yes
b. No

2. Do you provide education-related financial planning services? (e.g., 529 college savings plans, Coverdell's, etc.)

a. Yes, to retail investors
b. Yes, to institutional investors
c. Yes, to both retail and institutional investors
d. No

A 529 Plan is a college savings plan operated by a state or educational institution designed to help families set aside funds for future higher education expenses.

3. Please indicate how much you agree or disagree with each of the following statements.

	Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree
I think 529 savings plans are the best choice for investors saving for college					
College savings are part of a holistic financial plan					
You can borrow for college but not for retirement					
Families of all income levels can save over 50% of future higher education expenses					
Investors usually initiate the conversation about college savings					
Advisers usually initiate the conversation about college savings					
Clients request a specific 529 plan					
Selling 529s helps me to acquire clients					
Selling 529s helps me to retain clients by saving over time					

4. Which of the following types of accounts do you use for your client's college saving goals? (Please select all that apply)

a. 529 College Savings Plan
b. 529 Prepaid Plan
c. Coverdell Education Savings Account
d. Trust (UGMA/UTMA)
e. Brokerage account: non-529 mutual funds, exchange-traded funds, stocks and
f. Cash or other banking products (savings, checking, or CDs)
g. Traditional or Roth IRA
h. 401k retirement account
i. Insurance product with cash value
j. Other, please specify __________

5. Approximately what percent of your clients' college savings assets are in a 529 plan?

a. 0%
b. 10%
c. 20%
d. 30%
e. 40%
f. 50%
g. 60%
h. 70%
i. 80%
j. 90%
k. 100%

6. How often does opening up a 529 lead to more business with the client (e.g. brokerage, IRA, managed accounts, insurance, etc.)?

a. 0%
b. 10%
c. 20%
d. 30%
e. 40%
f. 50%
g. 60%
h. 70%
i. 80%
j. 90%
k. 100%

7. Please rate the importance of the following attributes in your selection of a 529 plan:

	Not Important At All	Not Very Important	Important	Very Important	Extremely Important
Brand name or reputation of plan provider					
Ease of use (e.g., online enrollment, maintenance)					
Aggregated view of all client accounts					
Account features (e.g., availability of automatic investment plans, low minimum required investment)					
In-state tax incentive					
Low-cost fee structure					
Diverse investment selection					
Experienced investment management					
Access to multiple investment managers					
Compensation for adviser (loads, trails)					
For rollovers of existing 529s, availability of no sales charge (i.e., A-shares at NAV)					
Knowledgeable and consultative wholesalers					
High third-party rating on its product (e.g., Morningstar, SavingforCollege.com)					
Quality of value-add practice management services, tools, and calculators					
Provides innovative client education					
Other, please specify ____					

8. Which 529 investment management style best addresses your clients' college savings needs? (Please select the option that most closely represents your answer.)

a. Actively managed options
b. Passive investments (e.g. indexed options)
c. Mixed

[If participants choose "Mixed" in 8]

9. What is the closest approximation of the balance of your mixed approach?

a. 10% Active & 90% Passive
b. 20% Active & 80% Passive
c. 30% Active & 70% Passive
d. 40% Active & 60% Passive
e. 50% Active & 50% Passive
f. 60% Active & 40% Passive
g. 70% Active & 30% Passive
h. 80% Active & 20% Passive
i. 90% Active & 10% Passive

10. Which 529 investment options best address your clients' college savings needs? (Please select all that apply)

a. Individual investment options (mutual funds)
b. Individual investment options (ETFs)
c. Age-based funds
d. Target-risk (static) options
e. Fund of Funds
f. Money Market Funds
g. FDIC-Insured Funds
h. Stable Value options
i. Principal protected options
j. Other, please specify ___________

11. How often do you recommend a client towards a direct-sold 529 plan instead of an adviser-sold plan? (Usually a direct-sold plan offers no trail or commissions)

a. Always **[SKIP NEXT QUESTION]**
a. Sometimes **[SKIP NEXT QUESTION]**
a. Never **[GO TO NEXT QUESTION]**

12. Please select why a direct plan is never recommended. (Please select all that apply)

a. Lack of commissions or trails
b. Better value in terms of product support, tools, and calculators
c. My firm has a preferred, or restricted, list
d. Better selection of investment options (e.g., preferred investment managers that are only available on adviser plans, variety of investment options)
e. Other, please specify ___________

[IF THEY ANSWER 12, THEN SKIP 13, 14 AND 15]

13. Which of the following are the most compelling reasons for you to recommend a direct-sold 529 plan for your clients? (Please select all that apply)

a. Lower fees for client
b. In-state tax incentives
c. Lack of 529 Brokerage Accounting ("Omnibus")
d. Adviser compensation on adviser-sold plans does not justify the time required to open and maintain a 529 account.
e. 529 plan account value is small compared to client's total advisory relationship
f. High expected level of client interaction with plan (e.g., rewards programs, online communities, educational support)
g. Access to preferred product support and tools
h. Access to preferred investment manager and options
i. Other, please specify ___________

14. What do you do when you recommend a client to buy a direct-sold plan? (Please select all that apply)

a. I do not oversee the portfolio and do not request a statement for review
b. I receive the account statement, but do not review or recommend their activity
c. I review the account statement and recommend their activity
d. I review the account and actively execute their recommended actions
e. Other, please specify ___________

15. When recommending a client to use a direct plan, how do you guide them on the selection of a plan?

a. I do not provide a recommendation on a plan
b. I recommend their in-state plan
c. I recommend the plans that are top rated by third parties (e.g. Morningstar, SavingforCollege.com)
d. Based on my own research, I have a list of recommended direct-sold plans
e. Other, please specify __________

16. How many different 529 plans do you offer to your clients?

a. 1
b. 2
c. 3
d. 4
e. 5+

17. What is your primary 529 plan of choice (state, plan name, or provider name), and why?

____
____
____
____

18. How satisfied are you with your primary 529 plan of choice in terms of:

	Highly Dissatisfied	Not Satisfied	Somewhat Satisfied	Satisfied	Highly Satisfied
Overall product satisfaction					
Product training					
Client education material					
Marketing material					
Investment options					
Product provider call center support					
Investment performance					

19. Which sources of information do you use to learn about how to accomplish your clients' educational goals and latest trends, product developments and news impacting the college savings industry? (Please select all that apply)

a. Newspapers, magazines
b. Internet media sources (e.g. WSJ.com, CNN.com, CSPN.com, SavingforCollege.com)
c. Internet websites of product providers (e.g. Vanguard.com, AmericanFunds.com)
d. Social media & online communities
e. Product providers (sales materials, mailings)
f. Product provider wholesalers
g. Brokerage platforms (e.g., Pershing)
h. Your firm's product specialist
i. Ratings providers
j. Electronic newsletters
k. Print advertisements (e.g., magazines, newspapers or mailings)
l. Radio commercials
m. Television commercials
n. Conferences or workshops
o. Family members
p. Friends or coworkers
q. Current school for your client's children
r. Financial accountant
s. Lawyer
t. My resident state
u. The federal government
v. Regulatory agency (e.g., MSRB, FINRA)
w. Other, please specify __________

20. How can the 529 plan providers better support you in distributing to clients?

	Not Important	Somewhat Important	Important
Provide sales ideas on how to use the plans strategically			
Provide whitepapers for conversation starters with clients			
Provide brochures and articles for conversation starters with clients			
Improve the quality of educational materials/collateral for clients			
Host educational webinars for advisers			
Host in-person educational seminars, presentations or demonstrations for advisers			
Attend and present with advisers at client meetings			
Improve comparison of 529 plans to other college savings vehicles and illustrate			
Improve comparison of investment options across different plans and illustrate			
Improve comparison of pricing across different plans and illustrate			
Improve product provider website			
Have a 529 specialist available in a call center			
Improve compensation to advisers			
All survey-takers: Click ‘Not important’ on this line.			
Reduce paperwork needed to set up and maintain account			
Other, please specify __________			

21. For each of the following "if" statements below, please indicate what level of impact you think it might have on investor use of 529s.

	Not Start Using A 529	Not Very Likely to Start Using A 529	Somewhat Likely to Start Using A 529	Very Likely to Start Using A 529	Certainly Start Using A 529
Product providers improved investment options					
529 Plans delivered better investment performance					
Product providers improved adviser support, education and training					
Product providers improved investor awareness and understanding of 529 plans					
Product providers made it easier for family and friends to gift to a 529 plan (e.g. through an online tool)					
Product providers improved adviser ease of use and functionality					
The investor's state offered more tax incentives for college savings					
The federal government offered more tax incentives for college savings					
The investor's employer offered a 529 plan as a benefit					
The investor's financial adviser recommended a 529 to the investor					
The investor heard more about 529 plans from their friends and colleagues					
The fees associated with 529s went down significantly					

22. Over the next 12 months, do you anticipate any changes in your recommendation of 529 plans?

a. Yes, I expect to recommend them more often.

b. Yes, I expect to recommend them less often.

c. No, I expect to recommend the same.

23. Please describe your reasons why your recommendations of 529 plans will or will not change.

____

____

____

____

24. Please indicate the estimated frequency of the following:

	Once every 3 months	Once every 6 months	Once every 1 year	Once every 3 years	Once every 5 years or more	Does not occur	Not applicable to target market
A client initiates a discussion about college savings							
You initiate a discussion with a client about college savings							
You reevaluate your primary 529 plan of choice used for most clients							
You review investment options for your clients who have 529 plans							

25. What are the perceived issues with 529 plans by investors? (Please select all that apply)

a. Complexity of product
b. Other savings goals get priority over saving for college
c. Lack of confidence in product
d. Administrative hurdles (e.g. ease of use)
e. Quality and quantity of investment options
f. Limited number of reallocations per year
g. Limited flexibility in usage (e.g. qualified expenses)
h. Lack of employer match
i. Lack of product awareness and understanding
j. Lack of tax incentives
k. Perceived negative impact of savings on financial aid eligibility
l. Impact of market volatility on performance
m. Overall economic uncertainty
n. Willingness to pay a state fee if applicable
o. Other (please specify) __________

26. Do you sell employer-sponsored 529 plans?

An ER529 plan enables employers to provide an employee benefit with no start-up costs or recordkeeping expenses to employers and no up-front sales charge for participants.

a. Yes **[IF THIS IS SELECTED GO TO 28]**
a. No **[IF THIS IS SELECTED GO TO 27]**

27. Why do you not sell employer-sponsored 529 plans? (Please select all that apply)

a. I don't know enough about them
b. I need better support from my product provider
c. I don't have a lot of client interest
d. Not a good use of my time
e. No payroll deductions available or challenges with payroll deductions
f. Too much oversight or paperwork

[GO TO 30]

28. Which plan do you recommend the most for employer-sponsored 529 plans?

____

____

____

____

29. What elements could be improved to support your sales of Employer Sponsored 529 plans? (Please select all that apply)

a. Better operational support from my product provider
b. Employee educational materials
c. Easier account set up process
d. Retirement plan and 529 plan easily integrated (i.e. same investment manager)
e. Payroll deduction options
f. Reduce paperwork
g. Online capabilities for my clients

30. Please share any other key issues, obstacles, or recommendations regarding 529 savings plans that have not been addressed.

____

____

____

____

31. Would you offer an ABLE Account to your client if available?

ABLE Accounts are tax-advantaged savings accounts for individuals with disabilities and their families. Income earned by the accounts would not be taxed.

a. Yes.
b. Maybe, I do not know enough about them.
c. No.
d. Other (please specify) __________

32. Which best describes your business model?

a. Financial Adviser working for a wirehouse
b. Dual-registered RIA/rep working for a wirehouse
c. Financial Adviser working for a regional broker/dealer
d. Dual-registered RIA/rep working for a regional broker/dealer
e. Financial Adviser working for an independent broker/dealer
f. Dual-registered RIA/rep working for a independent broker/dealer
g. Independent RIA
h. Non-registered fee-only planner
i. Financial Adviser working for an insurance company
j. Financial Adviser working within a CPA firm
k. Financial Adviser working within a trust company
l. Investment representative working for a bank, credit union or savings & loan

33. Which of the following most closely describes your compensation model?

a. 100% transactional
b. 75% transactional, 25% fee-based
c. 50% transactional, 50% fee-based
d. 25% transactional, 75% fee-based
e. 100% fee-based

34. What percent of 529 plan assets that you have sold does your firm reflect as AUM for compensation purposes?

a. 0–20%
b. 21–40%
c. 41–60%
d. 61–80%
e. 81–100%

35. For how many years have you been a producing financial adviser?

a. 1
b. 2
c. 3
d. 4
e. 5
f. 6–10
g. 11–15
h. 16–20
i. 20+

36. What is the total value of assets that you personally manage? Your best estimate will do.

a. Under $500,000
b. $500,000 but less than $1 million
c. $1 million but less than $5 million
d. $5 million but less than $10 million
e. $10 million but less than $25 million
f. $25 million but less than $50 million
g. $50 million but less than $100 million
h. $100 million but less than $150 million
i. $150 million or more
j. Decline to Answer

37. In what state do the majority of your clients reside?

- Alabama
- Alaska
- Arizona
- Arkansas
- California
- Colorado
- Connecticut
- Delaware
- District of Columbia
- Florida
- Georgia
- Hawaii
- Idaho
- Illinois
- Indiana
- Iowa
- Kansas
- Kentucky
- Louisiana
- Maine
- Maryland
- Massachusetts
- Michigan
- Minnesota
- Mississippi
- Missouri
- Montana
- Nebraska
- Nevada
- New Hampshire
- New Jersey
- New Mexico
- New York
- North Carolina
- North Dakota
- Ohio
- Oklahoma
- Oregon
- Pennsylvania
- Puerto Rico
- Rhode Island
- South Carolina
- South Dakota
- Tennessee
- Texas
- Utah
- Vermont
- Virginia
- Virgin Islands
- Washington
- West Virginia
- Wisconsin
- Wyoming