



2021

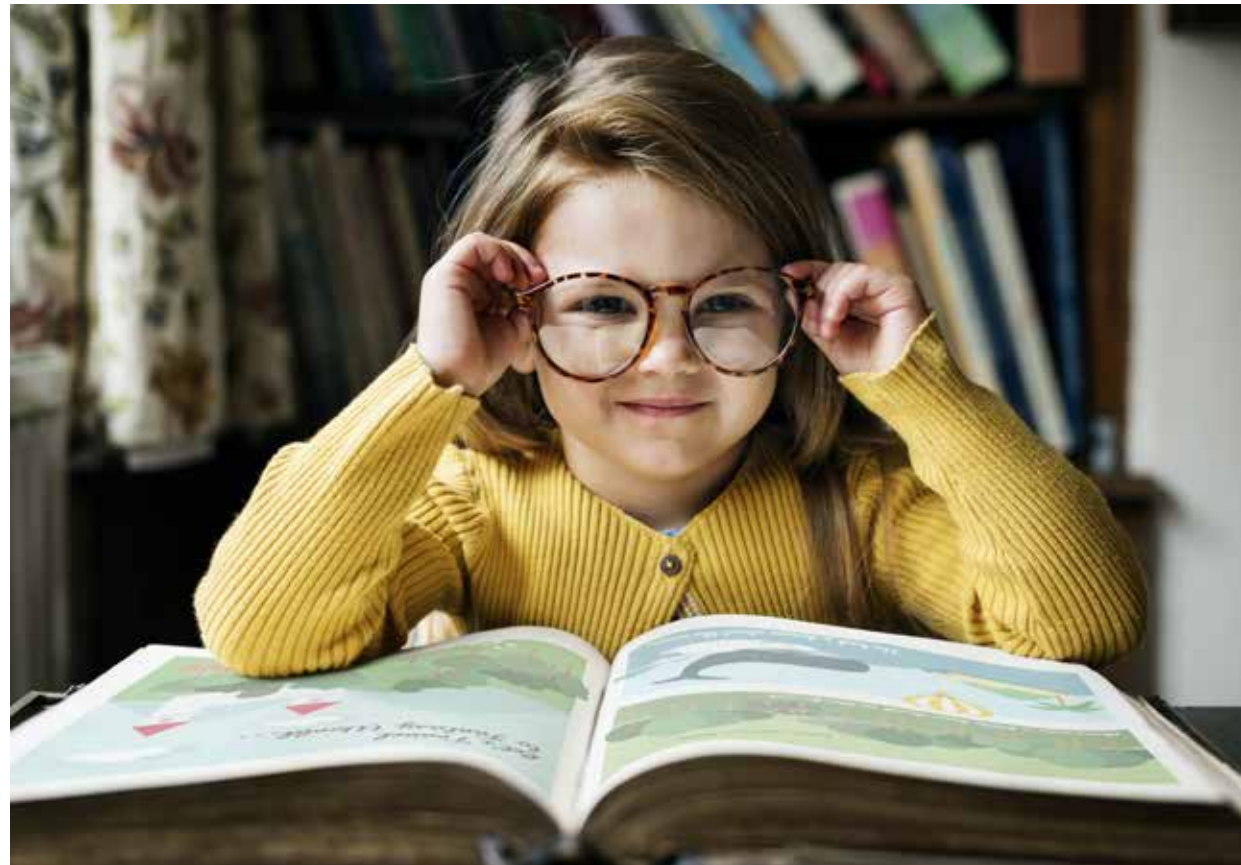
# ARKANSAS EDUCATION SAVINGS SURVEY



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# Helping Arkansans Put Their Hard-Earned Money to Good Use

When I became State Treasurer in 2015, many Arkansans didn't know about the Arkansas 529 Education Savings Plan. To be honest, I was surprised. Here was this wonderful resource that would allow Arkansans to save money for their children's education – plus receive state and federal tax benefits – and it was largely unknown.

As Treasurer of State, I oversee the Arkansas 529 Education Savings Plan. I made a promise to Arkansans when I ran for office to help taxpayers save their hard-earned money, so I made it my mission to tell everyone I could about this wonderful gift of education that we have right here in the Natural State.

During my first few months in office, we launched a statewide tour where we visited all 75 counties to promote the Arkansas 529 plan. That was our initial attempt at connecting with every Arkansan and is how we kickstarted promotion of the plan.

We've since moved into digital and social media marketing as well as occasional advertising.

We've also expanded our audience to include not only the parents of young children but also their grandparents and have seen great success in that endeavor.

During my tenure as Treasurer, we've doubled the plan's assets, growing the plan to over \$1 billion under management. We've seen tremendous interest in the plan, and that's due to our making it a priority from Day One in office.

Through a statewide survey done during the first quarter of this year, we've learned that Arkansans' knowledge about 529 plans trends slightly higher than the national average of Americans. I'm excited to share these results with you in the following pages and hope you will consider opening one of these education savings plans for the little ones in your life.

**Dennis Milligan**  
ARKANSAS TREASURER OF STATE



**ARKANSAS GREW ITS 529 SAVINGS PLAN FROM \$568 MILLION TO OVER**

**\$1 BILLION**

**IN JUST 5 YEARS**

# 529 Plans and the Cost of Higher Education in America

## What is a 529 Plan?

529 plans are named after Section 529 of the Internal Revenue Code (IRC), which was added in 1996 to authorize tax-free status for qualified tuition programs. Earnings in 529 plans accumulate on a tax-deferred basis and distributions are not taxed federally when used for qualified higher education expenses.<sup>1</sup>

The Arkansas 529 Education Savings Plan is a program sponsored by the State of Arkansas that combines state and federal tax advantages to help families save for educational expenses. Funds in an Arkansas 529 plan can be used to pay for qualified expenses at accredited colleges and universities throughout the United States and at some schools abroad. Arkansas 529 funds may also be used for payments to existing student loan debt, apprenticeship programs and for K-12 private school tuition.

## National Awareness of 529 Plans

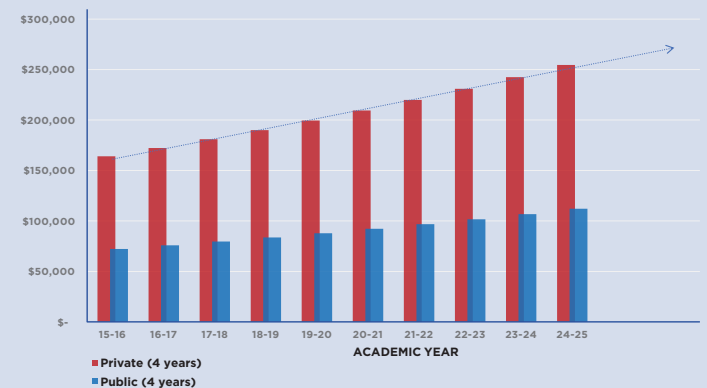
Many Americans appear to be unaware of the potential benefits of a 529 education savings plan. Research conducted for the College Savings Plans Network (CSPN) suggests that just one-third of Americans have heard of 529 plans, while only one in five know what the plans are for.<sup>2</sup> Moreover, a report conducted by Morningstar investment research firm found that an average family could have about \$4,000 more in their college savings if they had used an investment tool like a 529 plan.<sup>3</sup>

## Rising Costs of Higher Education

According to the U.S. Department of Education, the average cost for one academic year of postsecondary college to cover tuition, fees, and room and board was estimated to be \$17,797 at public institutions, \$46,014 at private nonprofit institutions, and \$26,261 at private for-profit institutions in 2017-18.<sup>4</sup>

Sallie Mae's annual report "How America Pays for College 2020" reveals on average, American families spent \$30,017 on college. Parent income and savings covered the largest portion of

## FIVE YEAR HIGHER EDUCATION COST PREDICTION\*



\*Based on a prediction by wealth management advisor, Mark Kull, who estimates a 5% increase in tuition every year.

Source: Northwestern Mutual (2020)

education costs, 44% or \$13,072, and free money—scholarships and grants—covered 25% or \$7,626. Money borrowed by students and parents paid for 21% or \$6,581 of total cost.<sup>5</sup>

A 2020 blog post written by personal finance author Amanda Reaume quotes a Northwestern Mutual wealth management advisor who projected tuition to increase 5% per year. Reaume writes, "If that trend continues, that means that in five years, a four-year college degree will cost \$112,058 at a state school and \$254,593 at a private school."<sup>6</sup>

**33%**

OF ARKANSANS KNOW THAT A 529 PLAN HELPS THEM SAVE FOR EDUCATION



## The Survey: What Arkansans Know About Saving for Education

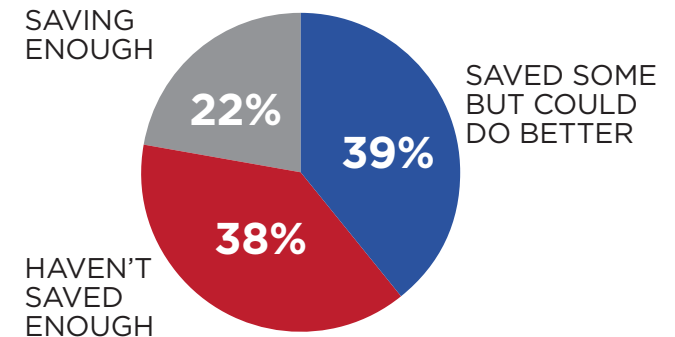
### About the Arkansas 529 Survey

Under the leadership of Treasurer of State Dennis Milligan, the Arkansas 529 office conducted consumer research to measure awareness among Arkansans about the education savings program and the importance of saving for their children's education. Nearly 70,000 randomly selected Arkansans were invited to participate in an 11-question awareness survey in the first quarter of 2021. The office received 1,507 completed survey responses, resulting in an analyzable rate of 2.18%.

### Awareness of the Arkansas 529 Education Savings Plan

Arkansans' knowledge about 529 plans trends slightly higher than the national average. According to the CSPN survey<sup>2</sup>, 32% of Americans have heard of 529 college savings plans.

In Arkansas, 33% of respondents have heard of the Arkansas 529 plan, also referred to as the GIFT 529 or iShares 529 plan, yet only 10.7% have one. However, 15.8% surveyed are considering opening an Arkansas 529 plan in the future.



### Are You Saving Enough?

The student loan marketing association Sallie Mae found that 9 out of 10 Americans agree that college is an investment in the student's future and that the education a student receives is worth the price.<sup>5</sup> However, when it comes to actually saving for future education, Morningstar recently estimated that just 16 percent of parents of children younger than college age were saving in a 529 plan.<sup>7</sup>

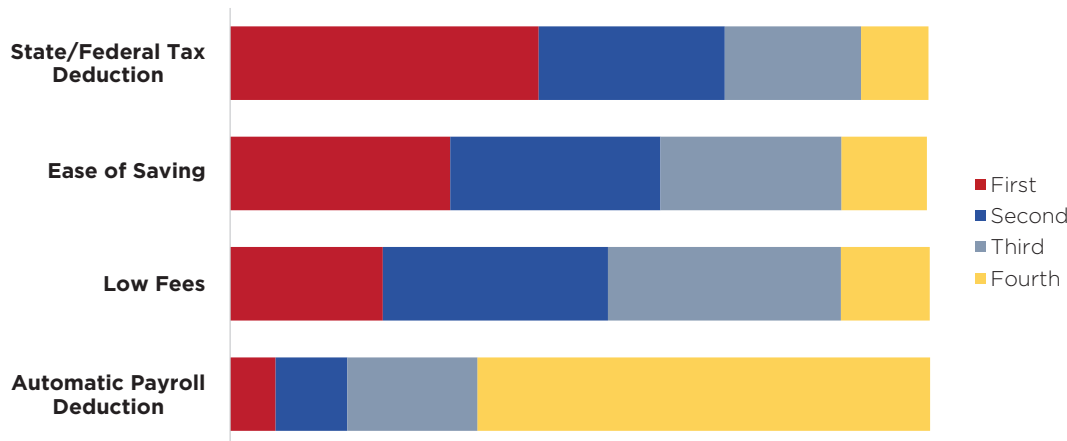
# Arkansas 529 Plans Offer Tax Advantages

## The Benefits of an Arkansas 529 Education Savings Plan

Respondents ranked the state and federal tax advantages as the most important benefit of the Arkansas 529 plan. Arkansas residents are eligible to receive a state tax deduction of up to \$5,000 for single filers or \$10,000 for couples.

Respondents ranked the ease of saving for college or K-12 tuition as the second-most important benefit, followed by low fees and automatic payroll deductions.

### RANKING OF ARKANSAS 529 BENEFITS



## The Gift of a Lifetime

Investing in a child’s future education is one of the greatest gifts you can give someone. Giving a loved one the peace of mind that funds have been set aside for their education can help encourage them to fulfill their potential.

The Center for Social Development studied the role of savings in predicting future college attendance. Their report found that children whose families have money saved in a dedicated college savings account are four times more likely to attend a four-year college compared to children with no dedicated college savings account.<sup>8</sup> A 529 plan can help the next generation achieve their education goals—whatever they may be—without the burden of student loan debt keeping them from achieving a brighter future



### Sources:

- (1) The Ultimate Guide to 529 Plans. August 24, 2020, <https://www.savingforcollege.com/intro-to-529s/what-is-a-529-plan>
- (2) CSPN National Awareness Benchmark Research survey. May 24, 2019, <https://529forcollege.com/study-shows-one-in-five-know-purpose-of-a-529/>
- (3) Wendel, S. & Leung, M. (2018) *New Lessons about 529s: Who Should Use Them, What Makes them Powerful, and Where they Can be Improved*. Morningstar. <https://www.morningstar.com/articles/904675/households-save-more-with-529s>
- (4) U.S. Department of Education, National Center for Education Statistics. May 23, 2018, [https://nces.ed.gov/programs/digest/d18/ch\\_3.asp](https://nces.ed.gov/programs/digest/d18/ch_3.asp)
- (5) Sallie Mae, 2020 How America Pays for College. May 25, 2020, <https://www.salliemae.com/assets/research/HAP/HowAmericaPaysforCollege2020.pdf>
- (6) Reaume, A. (2020). How Much College Will Cost in 5, 10 & 15 Years. July 9, 2020, <https://www.northwesternmutual.com/life-and-money/how-much-college-will-cost-in-5-10-and-15-years/#:-:text=The%20average%20cost%20of%20tuition%2C%20fees%2C%20room%20and,state%20school%20and%20%24199%2C480%20at%20a%20private%20college>
- (7) State 529 College Savings Plans Are Cutting Fees, New Analysis Finds. *The New York Times*. November 2, 2018, <https://www.nytimes.com/2018/11/02/your-money/529-college-savings-plans-fees.html>
- (8) Elliott, W. & Beverly, S. (2010) *The Role of Savings and Wealth in Reducing "Wilt" between Expectations and College Attendance*. (CSD Publication 10-04). St. Louis, MO: Washington University, Center for Social Development. [https://openscholarship.wustl.edu/cgi/viewcontent.cgi?article=1425&context=csd\\_research](https://openscholarship.wustl.edu/cgi/viewcontent.cgi?article=1425&context=csd_research)

## 2021 ARKANSAS EDUCATION SAVINGS SURVEY\*



For more information about the gift college investing plan (the "gift plan"), call 1.800.587.7301 or click here to obtain a program description and participation agreement, which includes investment objectives, risks, charges, expenses and other information; read and consider it carefully before making an investment or sending money. Ascensus broker dealer services, llc ("abd"), the program manager, and its affiliates have overall responsibility for the day-to-day operations, including investment advisory services, recordkeeping, administrative services and marketing of the gift plan.

Please note: before you invest, consider whether your or the beneficiary's home state offers any state tax or other state benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in that state's qualified tuition program. You should also consult your financial, tax, or other advisor to learn more about how state-based benefits (or any limitations) would apply to your specific circumstances. You also may wish to contact directly your home state's 529 college savings plan(s), or any other 529 plan, to learn more about those plans' features, benefits, and limitations. Keep in mind that state-based benefits should be one of many appropriately weighted factors to be considered when making an investment decision.

The gift plan is a college tuition savings program sponsored by the state of Arkansas and administered by the Arkansas section 529 plan review committee ("committee"). And, the program manager, and its affiliates have overall responsibility for the day-to-day operations, including investment advisory services, recordkeeping, administrative services and marketing of the gift plan. The gift plan's portfolios invest in: (i) mutual funds; or (ii) an fdic-insured omnibus savings account held in trust by the committee at sallie mae bank. Except for the gift plan savings portfolio, investments in the gift plan are not insured by the fdic. Units of the portfolios are municipal securities and the value of units will vary with market conditions.

Investment returns will vary depending upon the performance of the gift plan portfolios you choose. Except to the extent of fdic insurance available for the gift plan savings portfolio, you could lose all or a portion of your money by investing in the gift plan, depending on market conditions. Account owners assume all investment risks as well as responsibility for any federal and state tax consequences.

**Not FDIC-insured (except for the gift plan savings portfolio). No bank, state or federal guarantee. May lose value.**



**arkansas529.org (501) 682-1406**