



**Helping People with Disabilities
Achieve Financial Security
and Independence.**



CalABLE Fee Analysis: Investment Choice Impact

November 27, 2018

Background

- **CalABLE Administration Fee:**
 - Board approved 0.44% (44 basis points) on October 23, 2018
 - As approved, fee is expected to be charged against all CalABLE assets
 - Fee revenues will be used to repay General Fund Loans and to cover future operating costs
- **Current issue is whether to waive the Administration Fee on the FDIC-Insured Portfolio:**
 - Impact will depend upon the investment choices account owners make (e.g., the percentage of investors who choose the FDIC Option)
 - Resulting fee revenues will vary based on assumed Plan growth
- **ABLE Plans available to California investors offer low-risk / low-cost options, including some combination of:**
 - FDIC-insured savings options
 - FDIC-insured checking options
 - Money market options
- **Current industry statistics show a solid preference for FDIC-insured options over money market options**

Overview of Options

Option	FDIC-insured Options			Money Market
	Savings Only	Checking Only	Savings + Checking	
States	Michigan	Alliance	Nebraska	Florida
	Ohio	New York		Louisiana
	Oregon	Virginia Direct		Massachusetts
	Tennessee			Virginia Direct
	Texas			Virginia Advisor
% of ABL Market Assets¹	27.1%			3.4%

Source: Program Disclosure Statements as of November 15, 2018

¹ Strategic Insight as of September 30, 2018

FDIC-insured Options and Related Fees

	Plan	FDIC-insured Option	State	PM	Annual Account Fees ¹	Fee Waivers
Savings	MI	Bank Money Market Option	NA	0.50%	\$45	None
	NE	Bank Savings Investment Option	NA	0.50%	\$45	None
	OH	BankSafe Option	0.45%	NA	\$42 \$10 Print/Mail Fee	None
	OR	Cash Option	0.10%	0.20%	\$35 \$10 Print/Mail Fee	PM and State
	TN	First Tennessee Interest Bearing Account	0%	NA	–	–
	TX	Bank Savings Account Option	0.15%	0.10%	\$48 \$10 Print/Mail Fee	PM and State
Checking	Alliance	Checking Option	NA	0%	\$60 \$24 to Fifth Third	–
	NE	Checking Investment Option	NA	0%	\$45 \$24 to Fifth Third	–
	NY	Checking Option	NA	0%	\$55 \$24 to Fifth Third	–
	VA Direct	ABLEnow Deposit Account	NA	NA	\$39 \$18 Print/Mail Fee	Account Fee ²

¹ Represents fees for paper delivery (not e-delivery)

² Annual Account Fee waived when assets > \$10,000

Money Market Options and Related Fees

	Plan	Money Market Option	State	PM	Annual Account Fees ¹	Fee Waivers
Money Market	FL	Money Market Fund	NA	0.035%	\$10 Paper Statement Fee	None
	LA	Vanguard Federal Money Market Fund (VMFXX)	NA	NA	–	–
	MA	ABLE Money Market Portfolio	0.05% ²	0.15% ²	–	PM and State
	VA Direct	Money Market Portfolio	0.15%	0.10%	\$39 \$18 Print/Mail Fee	–
	VA Advisor (A-Shares)	American Funds U.S. Government Money Market Fund (MMF)	0.07% ³	0.27% ⁴	\$10 ⁵	State and Account Fee

¹ Represents fees for paper delivery (not e-delivery)

² Fee will vary depending on the annualized return, after expenses, of the underlying mutual fund in which the portfolio is invested

³ Waived for all investment options through at least July 1, 2019

⁴ No other option charges a management fee. The Plan also charges 0.20% in “Other expenses”

⁵ \$10 Annual Account Maintenance Fee waived for all investment options until further notice

Assumptions Impacting CalABLE Revenue Projections

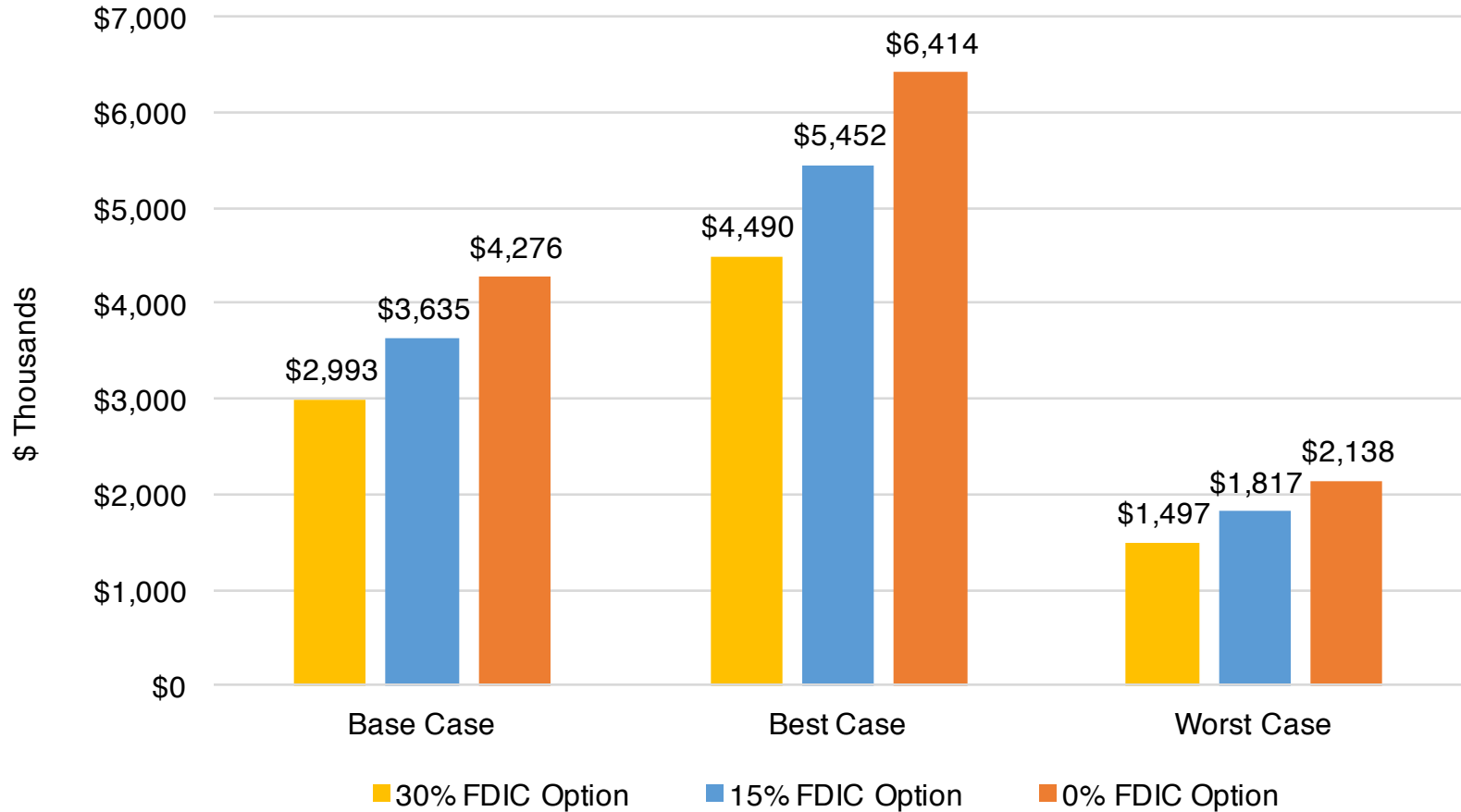
- **CalABLE Plan Data:**
 - **Accounts by end of Year 1:**
 - **Base Case: 10,000**
 - **Best Case: 15,000**
 - **Worst Case: 5,000**
 - **Account growth rates:**
 - **Year 2 – 50%**
 - **Year 3 – 40%**
 - **Year 4 – 30%**
 - **Year 5 – 20%**
- **Investors Choosing FDIC-Insured Portfolio:**
 - **0% - Revenue projections provided on October 23, 2018**
 - **0.44% charged on 100% of assets**
 - **15% - Low industry estimate**
 - **0.44% charged on 85% of assets**
 - **30% - Consistent with current industry trend**
 - **0.44% charged on 70% of assets**

Five-year Aggregate Revenues as of October 23, 2018

- Assuming 0.44% fee is charged on all assets invested:



Investment Choice Impact on Five-year Aggregate Revenues



Revenue Impact on Loan Balances

