



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



Presence of Capital Preservation Options

May 19, 2020

Challenges Today

- **Every ABLE Plan today offers a “transactional-oriented” investment option:**
 - **FDIC-insured bank accounts or money market funds are most common**
 - **Options are viewed as more likely to “preserve capital” or “protect principal”**
 - **In a low interest rate environment, administrative or other account fees could cause a loss of principal**
- **Cal ABLE offers an FDIC-Insured Portfolio:**
 - **As of May 1, 2020, investments in the FDIC-Insured Portfolio will earn an Annual Percentage Yield (APY) of 0.03%**
 - **Cal ABLE does not charge its 0.44% administrative fee on this Portfolio**
- **California ScholarShare offers a Principal Plus Interest Portfolio:**
 - **This Portfolio “seeks to preserve capital and provide a stable return”**
 - **Through December 31, 2020, the effective annual interest rate is 1.70%, “subject to claims-paying ability of TIAA-CREF Life Insurance Company”**
- **Cal ABLE’s Considerations:**
 - **Are there alternatives to the FDIC-Insured Portfolio?**
 - **How prevalent are those alternatives?**
 - **Is it possible to offer more than one alternative?**

Defining the Options and Objectives

- **Capital Preservation / Principal Protection Options fall into three categories across 529 Plans**

Category	Options Included	Investment Objective
Bank	FDIC-Insured Accounts Other Insured Accounts	Savings accounts or certificate of deposit seeking income consistent with the preservation of principal
Money Market	Money Market Funds	Government or other low-risk mutual funds seeking to provide current income while maintaining liquidity and a stable share price of \$1
Stable Value	Traditional Guaranteed Investment Contracts (“GICs”) Separate Account GICs Synthetic GICs	Stable value or guaranteed product seeking to preserve capital and provide a stable return

Investment objectives sourced to various 529 Program Disclosure Statements and Plan websites

Capital Preservation Options in ABLE Plans

- ABLE Plans do not offer Stable Value Options today

Bank	Money Market	Stable Value
<p>ABLE National Alliance California Florida Michigan Nebraska New York Ohio Oregon Tennessee Texas Virginia (Direct)</p>	<p>Florida Louisiana Massachusetts Virginia (Direct) Virginia (Advisor)</p>	<p>None</p>
<p>11 Programs</p>	<p>5 Programs</p>	<p>--</p>

Source: Program Disclosure Statements as of March 23, 2020

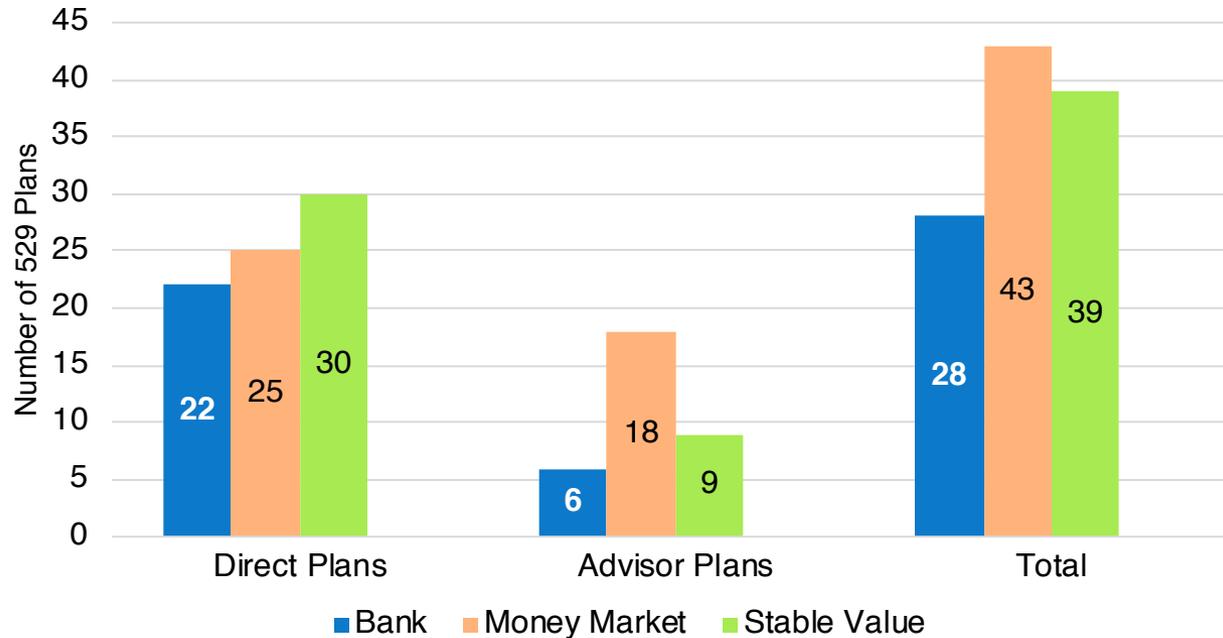
Florida and Virginia (Direct) offer both Bank and Money Market Options. In Virginia, the first \$2,000 of contributions are made to the ABLEnow Deposit Account, which is an interest bearing, FDIC-insured checking account linked to the ABLEnow Debit Card

Sources of Principal Protection in 529 Plans

Category	Product	Source of the Protection
Bank	FDIC-Insured Account	FDIC
	Federally-Insured Deposit Account	National Credit Union Administration
Money Market	Government Money Market Funds	Stable NAV of \$1
Stable Value	Traditional and Separate Account GICs (e.g., Principal Plus Interest Portfolio)	Various Insurance Companies
	Synthetic GICs (e.g., Short Term Reserves Account*)	Underlying Wrap Contracts from Insurance Companies
	Fixed Earnings Account	State of Louisiana

* Hybrid structure that includes allocations to Money Market and Guaranteed Investment Contracts (e.g., Vanguard Short-Term Reserves Account)

Prevalence of Capital Preservation Options in 529 Plans



Category	Direct Plans	Advisor Plans	Total
Bank	29%	18%	25%
Money Market	32%	55%	39%
Stable Value	39%	27%	35%

Source: ISS Market Intelligence and Program Disclosure Statements as of March 23, 2020

Note: Due to multiple Capital Preservation Options in certain Plans, the number of Plans shown exceeds the actual number of 529 Plans offered.

Data above represents number of 529 Direct and Advisor Plans offering Capital Preservation Options on a stand-alone basis rather than as part of an asset allocation strategy

Capital Preservation Options by 529 Assets

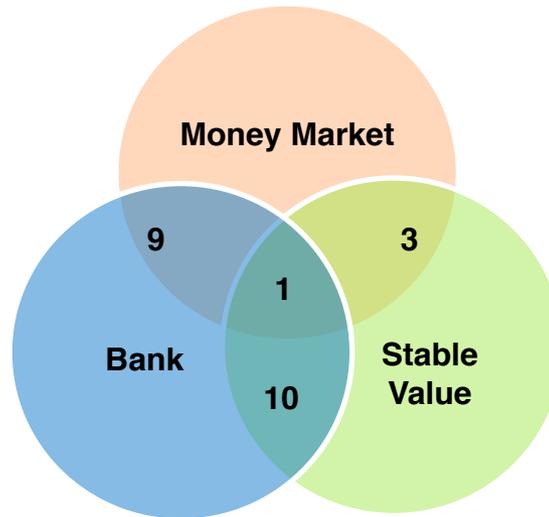


	All Options	Money Market	Stable Value	Bank
2Q 2015	3.8% \$8.9B	2.2% \$5.2B	1.1% \$2.6B	0.5% \$1.2B
2Q 2018	4.8% \$14.6B	2.9% \$8.8B	1.6% \$4.9B	0.3% \$914.1M
4Q 2019	4.1% \$14.2B	2.7% \$9.3B	1.2% \$4.2B	0.2% \$692.5M

Data from ISS Market Intelligence as of March 23, 2020. Asset data calculated by AKF Consulting Group based on College Savings Plans Network data.

Represents cash options offered "at the individual investment option level and excludes any asset allocation that may be in those investment types in target-date funds"

529 Plans Offering Multiple Options



Category			Direct Plans		Advisor Plans	Total	
X		X	Arkansas Idaho Indiana Maine	North Carolina Oregon Virginia Wisconsin	Indiana Maine	10	
X	X		Arizona ¹ Nebraska (NEST) Ohio		Nebraska (State Farm and NEST) South Carolina	9	
	X	X	Connecticut	Georgia	Minnesota	--	3
X	X	X	South Carolina		--	1	

¹ Fidelity-managed Delaware, Massachusetts and New Hampshire offer an identical money market option; total includes these three States
Source: ISS Market Intelligence and Program Disclosure Statements as of March 23, 2020

Observations and Considerations

- **Capital Preservation Options include more than FDIC-Insured Accounts:**
 - **Stable Value and Money Market Options provide similar but not identical assurances regarding principal protection**
 - **Stable Value likely provides an opportunity for higher returns (albeit with interest rate re-set and counterparty risks)**
- **Within 529 Plans, Capital Preservation Options:**
 - **Are more prevalent in Direct than Advisor Plans**
 - **Within Direct Plans, are more commonly Stable Value products than FDIC- or other insured options**
- **Twenty-five percent (25%) of 529 Plans offer multiple Capital Preservation Options:**
 - **Most prevalent combination is Bank and Stable Value**
 - **Stable Value generally has more assets than Bank options but that may not be the case where both options are offered**

Appendix

Bank Options in 529 Plans

		Direct Plans	Advisor Plans
Bank Options within a 529 Plan	FDIC-Insured	Arizona¹ Arkansas Idaho Indiana Kentucky Maine Nebraska (NEST) Nevada (SSGA) Ohio – 2 options Oregon South Carolina Tennessee Utah Virginia	Arkansas Indiana Maine Nebraska (NEST and State Farm) South Carolina
	Other Insurance	North Carolina² Wisconsin³	None
Bank Plans		Arizona Bank – 2 options Colorado – 2 options Indiana – 2 options	None
Total		22 Plans¹ (including 3 Bank Plans)	6 Plans

¹ Fidelity-managed Delaware, Massachusetts and New Hampshire offer an identical money market option; total includes these three States

² Insured by National Credit Union Administration

³ “Although the Cash Equivalents and Bank CD Portfolio is not guaranteed or insured by the FDIC, the CDs in which the Investment Portfolio invests may be”

Money Market Options in 529

Direct Plans	Advisor Plans
<p style="text-align: center;"> Alabama Alaska (Univ. of AK and T. Rowe) Arizona¹ Connecticut Florida Georgia Hawaii Illinois Kansas (Learning Quest² and Schwab) Maryland Minnesota Nebraska (NEST and TD Ameritrade) Nevada (USAA) New Jersey Ohio Pennsylvania South Carolina Texas Washington </p>	<p style="text-align: center;"> Alabama Alaska Arizona Colorado Illinois Iowa Kansas² Nebraska (NEST) Nebraska (State Farm) Nevada (Putnam) New Hampshire New Jersey New York Ohio Oregon South Carolina Texas Virginia </p>
25 Plans¹	18 Plans

¹ Fidelity-managed Delaware, Massachusetts and New Hampshire offer an identical money market option; total includes these three States

² Kansas Learning Quest Direct and Advisor Plans offer a “Cash and Cash Equivalents” Option (managed by American Century), which invests in “high-quality short-term debt securities issued by banks, corporations and the U.S. Government, as well as state and local governments.” For purposes of this presentation, we have categorized this as a Money Market Option

Stable Value Options in 529 Plans

Direct Plans	Advisor Plans
<p> Arkansas California Colorado Connecticut District of Columbia Georgia Iowa Idaho Indiana Louisiana Maine Michigan Minnesota Missouri Mississippi </p>	<p> Montana North Carolina North Dakota New Mexico Nevada (Vanguard) New York Oklahoma Oregon Pennsylvania Rhode Island South Carolina Virginia Vermont Wisconsin West Virginia (SMART529 Direct) </p>
<p>30 Plans</p>	<p>9 Plans</p>

¹ Although not included in the chart above, Fidelity-managed Delaware, Massachusetts and New Hampshire offer an identical money market option

² Kansas Learning Quest Direct and Advisor Plans offer a “Cash and Cash Equivalents” Option (managed by American Century) which invests in “high quality short term debt securities issued by banks, corporations and the U.S. Government, as well as state and local governments.” For purposes of this presentation, we have categorized this Option as a money market option

More Details on Stable Value Options

	Provider	Direct	Advisor
State Government	State	Louisiana	--
Insurance Company	Ameritas Life Insurance Corporation	District of Columbia	--
	Nationwide	Colorado	--
	New York Life Guaranteed Interest Account	Maine Montana New Mexico	Indiana Maine
	Principal Life Insurance Company	--	New Mexico
	TIAA-CREF Life Insurance Company	California Connecticut Georgia Michigan Minnesota Mississippi Oklahoma Oregon Vermont Wisconsin	Michigan Wisconsin

More Details on Stable Value Options, cont'd

	Provider	Direct	Advisor
Underlying Wrap Contracts	Columbia	South Carolina	South Carolina
	Invesco	Rhode Island Virginia West Virginia (SMART529 Direct)	Rhode Island West Virginia Connecticut
	Vanguard	Arkansas Iowa Idaho Indiana Missouri Nevada (Vanguard) New York North Carolina North Dakota Pennsylvania	--

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