

FDIC-insured products in the 529 marketplace

June 30, 2020

OVERVIEW

FDIC-insured products offer investors a conservative investment option that can guarantee wealth preservation. These products can play an important role in a diversified portfolio within a long-term college savings strategy and can provide reassuring low-risk returns to risk-averse investors.

Currently, some form of federally insured product is offered by twenty-eight 529 plans, and includes both Certificate of Deposit (CD) and savings account variants. Four 529 plans offer FDIC-insured CD products as well as savings accounts, one plan offers a portfolio that invests in FDIC-insured CDs but is not itself an FDIC-insured option, and the remaining twenty-three plans offer savings accounts only.

Savings accounts typically offer lower yields than CD options but have greater liquidity and provide a more straightforward redemption process. The CD accounts offered by 529 plans do not charge fees and offer superior yields, but charge an early withdrawal penalty if the CD is redeemed before reaching maturity.

Among federally insured products in the 529 plan landscape, FDIC-insured products are predominant and are offered in some form by twenty-seven of the plans. North Carolina's National College Savings Program is the only plan that offers an NCUA-insured product. Although this study often refers to the more common FDIC-insured products throughout, in fact, both types of federally insured products are included.

The data used in this report is a snapshot based on Annual Percentage Yield (APY) rates in effect on June 30, 2020. Yields are variable for savings accounts and may change at any time.

Net APY rates on 529 plan savings products have dropped considerably since this study was last conducted in 2019, and based on recent guidance from the Federal Reserve, it is expected that rates will remain low until the economic outlook improves. In light of the economic impact of the ongoing pandemic, the Federal Open Market Committee has reduced its target range for the Federal Funds rate to between 0.00% and 0.25% as of June 11, 2020.

Key metrics

Note: APY rates and fees displayed below are as of June 30, 2020.

- Twenty-eight 529 savings plans currently offer some form of federally insured product.
 - Twenty-six plans offer some form of FDIC-insured product.
 - One plan offers an NCUA-insured product.
 - One plan invests in FDIC-insured assets but is not itself an FDIC-insured product.
- Yields net of fees on federally insured products vary widely:
 - Certificate of Deposit (CD) yields range from 0.10% to 1.15% depending on duration.
 - Savings options yields range from 0.00% to 1.25%.
- Four 529 savings plans offer FDIC-insured CDs as an investment option.
 - The highest yield on CDs, 1.15%, is offered by two plans, both managed by College Savings Bank, a Division of NexBank SSB:
 - Arizona Family College Savings Program - Bank Plan, through its 3-year CD.
 - Indiana's CollegeChoice CD 529 Savings Plan through its 3-year CD.
- None of the 529 plans offering CD options charge fees for participation in the respective program.
- Five 529 plans offer an APY net of fees of 1.00% or greater on federally insured savings accounts:
 - The Virginia Invest529 offers the highest APY of 1.25% through its FDIC-Insured Portfolio.
 - Two plans offer an APY of 1.16%. These two plans do not charge fees:
 - Indiana's CollegeChoice CD 529 Savings Plan through the CollegeSure® Honors Savings Account.
 - Arizona Family College Savings Program - Bank Plan through the CollegeSure® Honors Savings Account.
 - Two plans managed by Ascensus College Savings round out the top 5. Indiana's CollegeChoice 529 Direct Savings Plan offers an APY net of fees of 1.10% through the Savings Portfolio, while Kentucky's KY Saves 529 offers an APY net of fees of 1.06% through the Capital Preservation Option.
- Since this study was last published in 2019, most plans have decreased yields on their federally insured products.

- Yields net of fees have decreased by 139 bps on savings options (on average) and by 153 bps on CDs (on average).
- Fees on federally insured savings options within 529 plans vary widely:
 - Ten plans do not charge any fees.
 - Among plans that charge a fee, the total annual asset-based fees range from 0.05% to 0.39%.¹

¹ Excludes the Wisconsin Edvest 529 plan's Bank CD Portfolio which offers a portfolio that invests in CD products, but is not itself FDIC-insured. The portfolio has a 0.08% expense ratio.

Scope

This report includes a review of currently available federally insured products within 529 college savings plans, including products that are insured by the Federal Deposit Insurance Corporation (FDIC) and National Credit Union Administration (NCUA), and a comparison of those products.

In conducting this review, Savingforcollege.com has used its existing database of 529 plan information and supplemented this with data collected from publicly available 529 plan disclosure statements and websites, in order to obtain all required data for product yields, fees and other relevant information. Every 529 plan program was reviewed to ensure that the most current and accurate data on federally insured products was utilized. In addition, this information was sent to the 529 plan program managers for verification. This data was compiled into a uniform framework in order to compare product fees and yields.

All underlying data and figures are accurate as of June 30, 2020 unless otherwise noted.

All yield data is reported *net of fees*, unless otherwise noted.

The report, *FDIC-insured products in the 529 marketplace*, was written and researched by Savingforcollege.com.

BACKGROUND

FDIC-insured products

FDIC-insured products are bank products such as savings accounts and certificates of deposit (CDs) that are held inside a 529 plan portfolio of investment options or as standalone options in their own 529 product. They are structured differently depending on the plan, though the effect they aim to achieve is largely the same.

There are two types of FDIC-insured products held inside 529 savings plans: Savings Accounts and CDs. Like retail bank accounts, the savings account offers more liquidity but a reduced yield. CDs typically have a greater yield, but require a minimum holding period and charge a penalty on early withdrawals.

The majority – but not all – of 529 plans offer FDIC insurance using a bank product held in an omnibus account. This means the 529 plan holds a single account with the partner bank, and the 529 provider manages the records for who owns the pieces of the investment. FDIC insurance is offered on a pass-through basis and is in aggregate with the account owner's other holdings with that financial entity.

What “pass-through” means: In the case that the bank cannot meet its obligations, the account owner would need to go to the underlying bank, not the 529 plan, to provide proof of ownership and make a claim.

What “aggregate” means: It is the responsibility of the 529 account owner to determine how 529 account holdings with the underlying bank might be aggregated with other accounts the account owner holds at the same entity. The current FDIC insurance maximum is \$250,000 per depositor per ownership category per bank.

For example, consider an account owner with a position in the Fidelity Arizona College Savings Plan in excess of the FDIC insured limit. Fidelity holds an account with Wells Fargo as its bank partner. So, if there arose a situation where the account owner needed to make a claim against the FDIC coverage, and held additional accounts with Wells Fargo, their *total* holdings with Wells Fargo would be aggregated. The account owner would need to go to Wells Fargo with proof of ownership to make that claim. The Fidelity Arizona College Savings Plan prospectus includes the following warning with regard to the bank deposit portfolio:

Although the underlying deposits are eligible for FDIC insurance, subject to applicable federal deposit insurance limits, the Units of the Bank Deposit Portfolio are not insured or guaranteed by the FDIC or any other government agency. You are responsible for monitoring the total amount of your assets on deposit at the Bank, including amounts held directly at the Bank. All such deposits held in the same ownership capacity at the Bank are subject to aggregation and to the current FDIC insurance coverage limitation of \$250,000.

If the account owner wants additional FDIC coverage for their 529 account holdings, they would need to use another 529 plan, such as opening an account with the South Carolina Future Scholar plan, which uses BB&T for their FDIC-insured product.

NCUA-insured products

The National Credit Union Administration (NCUA) operates and administers the National Credit Union Share Insurance Fund (NCUSIF), which is backed by the full faith and credit of the U.S. government.

Similar to FDIC-insured products, the NCUSIF insures up to \$250,000 per share owner, per insured credit union, for each NCUA account ownership category. The maximum insurance for single accounts is \$250,000. Single accounts are owned by a single owner, and include savings accounts, checking accounts and share certificates.

The NCUA adds together all single accounts and insures them up to \$250,000. If a 529 account owner with funds in an NCUA-insured product has other single accounts with the underlying federal credit union, the NCUA would insure those accounts in aggregate up to a maximum of \$250,000.

About investors in federally insured products

Federally insured products cater to risk-averse investors. There are many cash alternative and conservative investments available in the form of money markets and short-term bond options, but FDIC and NCUA insurance are only available through certain bank, savings association and federal credit union products. As a result, FDIC and NCUA insurance provides additional safety for ultra-conservative investors, investors whose loved ones are approaching college age, and investors who are concerned about bank or other failures in financial markets.

These products work best alongside other investments in a long-term savings portfolio, since their yield is typically low, and may not keep pace with the rate of consumer or – for purposes of this analysis – college inflation. Research has shown that over longer time periods, a diverse portfolio of equity and fixed income securities offers superior returns for most investors.

For shorter time horizons where protection of principal is of most concern, such as three years or less, FDIC- and NCUA-insured products may be more appropriate as a storehouse of value for conservative savers.

PRODUCT LANDSCAPE

FDIC-insured Certificates of Deposit

Four 529 plans offer FDIC-insured fixed-rate Certificates of Deposit (CDs), or another account that carries a set maturation date. These CD accounts do not charge fees and offer higher yields than savings accounts, but charge an early withdrawal penalty if the CD is redeemed before reaching maturity.

Two of the plans - Arizona Family College Savings Program – Bank Plan and Indiana’s CollegeChoice CD 529 Savings Plan - are offered by the same program manager, College Savings Bank, a Division of NexBank SSB.

All rates below are current as of 6/30/20.

State	Plan	FDIC-Insured CD	Duration (Months)	APY (Net of fees)
AZ	Arizona Family College Savings Program – Bank Plan	Fixed-Rate CD	12	1.10%
			24	1.10%
			36	1.15%
CO	Smart Choice College Savings Plan	1-Year Time Account	12	0.10%
IN	CollegeChoice CD 529 Savings Plan	Fixed-Rate CD	12	1.10%
			24	1.10%
			36	1.15%
OH	CollegeAdvantage Direct 529 Savings Plan	Fifth Third 529 CD	3-5	0.50%
			6-11	0.75%
			12-23	0.50%
			24-35	0.50%
			36-47	0.50%
			48-59	0.25%
			60-83	0.25%
84-119	0.25%			
120-144	0.25%			

In addition to the four plans cited above, Wisconsin’s Edvest plan offers the Cash Equivalent and Bank CD Portfolio. The portfolio invests in CDs insured by the FDIC but is not itself insured by the FDIC. For this reason, the product has been excluded above.

Federally insured savings account options

529 plans offering federally insured savings accounts, sorted by APY net of fees

State	Plan	FDIC-Insured Option Name	Annual Asset-Based Fees	APY (Net of fees)
UPPER QUARTILE				
VA	Invest529	FDIC-Insured Portfolio	0.09%	1.25%
IN	CollegeChoice CD 529 Savings Plan	CollegeSure® Honors Savings Account	--	1.16%
AZ	Arizona Family College Savings Program - Bank Plan	CollegeSure® Honors Savings Account	--	1.16%
IN	CollegeChoice 529 Direct Savings Plan	Savings Portfolio	0.16%	1.10%
KY	KY Saves 529	Capital Preservation Option	0.20%	1.06%
IN	CollegeChoice Advisor 529 Savings Plan	Savings Portfolio	0.31%	0.95%
UT	my529	FDIC-Insured Option	0.13%	0.68%
SECOND QUARTILE				
NC	NC 529 Plan	Federally Insured Deposit Account	--	0.55%
NE	State Farm 529 Savings Plan	Bank Savings	0.20%	0.55%
NE	Nebraska Education Savings Trust -- Advisor College Savings Plan	Bank Savings Static	0.20%	0.55%
NE	Nebraska Education Savings Trust -- Direct College Savings Plan	Bank Savings	0.20%	0.55%
NV	SSGA Upromise 529 Plan	Savings Portfolio	0.29%	0.41%
ID	Idaho College Savings Program (IDeal)	Savings Portfolio	0.34%	0.31%
THIRD QUARTILE				
AR	iShares 529 Plan	Savings Portfolio	0.35%	0.29%
AR	GIFT College Investing Plan	GIFT Plan Savings Portfolio	0.39%	0.21%
ME	NextGen College Investing Plan – Client Direct	NextGen Savings Portfolio	--	0.20%
ME	NextGen College Investing Plan – Client Select	NextGen Savings Portfolio	--	0.20%
OH	CollegeAdvantage Direct 529 Savings Plan	Fifth Third 529 Savings Account	--	0.10 - 0.20%
SC	Future Scholar 529 Savings Plan – Direct	Future Scholar Bank Deposit	--	0.10%
SC	Future Scholar 529 College Savings Plan - Advisor	Columbia Bank Deposit 529 Portfolio	--	0.10%
FOURTH QUARTILE				
NH	UNIQUE College Investing Plan	NH Bank Deposit Portfolio	0.05%	0.04%
AZ	Fidelity Arizona College Savings Plan	AZ Bank Deposit Portfolio	0.05%	0.04%
DE	Delaware College Investment Plan	DE Bank Deposit Portfolio	0.05%	0.04%
MA	U.Fund College Investing Plan	MA Bank Deposit Portfolio	0.05%	0.04%
CO	Smart Choice College Savings Plan	Money Market Savings Account	--	0.01 - 0.03%
TN	TNStars College Savings 529 Program	TN Interest Bearing Account	--	0.00%
OR	Oregon College Savings Plan	FDIC-Insured Option	--	0.00%

Data as of 6/30/20

529 plans with federally insured savings account options, sorted by state

State	Plan	FDIC-Insured Option Name	Annual Asset-Based Fees	APY (Net of fees)
AZ	Arizona Family College Savings Program - Bank Plan	CollegeSure® Honors Savings Account	--	1.16%
AZ	Fidelity Arizona College Savings Plan	AZ Bank Deposit Portfolio	0.05%	0.04%
AR	iShares 529 Plan	Savings Portfolio	0.35%	0.29%
AR	GIFT College Investing Plan	GIFT Plan Savings Portfolio	0.39%	0.21%
CO	Smart Choice College Savings Plan	Money Market Savings Account	--	0.01 - 0.03%
DE	Delaware College Investment Plan	DE Bank Deposit Portfolio	0.05%	0.04%
ID	Idaho College Savings Program (IDeal)	Savings Portfolio	0.34%	0.31%
IN	CollegeChoice CD 529 Savings Plan	CollegeSure® Honors Savings Account	--	1.16%
IN	CollegeChoice 529 Direct Savings Plan	Savings Portfolio	0.16%	1.10%
IN	CollegeChoice Advisor 529 Savings Plan	Savings Portfolio	0.31%	0.95%
KY	KY Saves 529	Capital Preservation Option	0.20%	1.06%
MA	U.Fund College Investing Plan	MA Bank Deposit Portfolio	0.05%	0.04%
ME	NextGen College Investing Plan – Client Direct	NextGen Savings Portfolio	--	0.20%
ME	NextGen College Investing Plan – Client Select	NextGen Savings Portfolio	--	0.20%
NC	NC 529 Plan	Federally Insured Deposit Account	0.25%	0.55%
NE	Nebraska Education Savings Trust -- Direct College Savings Plan	Bank Savings	0.20%	0.55%
NE	Nebraska Education Savings Trust -- Advisor College Savings Plan	Bank Savings Static	0.20%	0.55%
NE	State Farm 529 Savings Plan	Bank Savings	0.20%	0.55%
NH	UNIQUE College Investing Plan	NH Bank Deposit Portfolio	0.05%	0.04%
NV	SSGA Upromise 529 Plan	Savings Portfolio	0.29%	0.41%
OH	CollegeAdvantage Direct 529 Savings Plan	Fifth Third 529 Savings Account	--	0.10 - 0.20%
OR	Oregon College Savings Plan	FDIC-Insured Option	--	0.00%
SC	Future Scholar 529 College Savings Plan - Advisor	Columbia Bank Deposit 529 Portfolio	--	0.10%
SC	Future Scholar 529 Savings Plan – Direct	Future Scholar Bank Deposit	--	0.10%
TN	TNStars College Savings 529 Program	TN Interest Bearing Account	--	0.00%
UT	my529	FDIC-Insured Option	0.13%	0.68%
VA	Invest529	FDIC-Insured Portfolio	0.09%	1.25%

Data as of 6/30/20

529 plans with federally insured savings account options, sorted by program manager

State	Plan	FDIC-Insured Option Name	Program Manager
AR	GIFT College Investing Plan	GIFT Plan Savings Portfolio	Ascensus College Savings
AR	iShares 529 Plan	Savings Portfolio	
ID	Idaho College Savings Program	Savings Portfolio	
IN	CollegeChoice Advisor 529 Savings	Savings Portfolio	
IN	CollegeChoice 529 Direct Savings	Savings Portfolio	
NV	SSGA Upromise 529	Savings Portfolio	
KY	KY Saves 529	Capital Preservation Option	
NC	NC 529 Plan	Federally-Insured Deposit Account	
AZ	Arizona Family College Savings Program – Bank Plan	Savings Account	College Savings Bank, a Division of NexBank SSB
IN	CollegeChoice CD 529 Savings Plan	Savings Account	
SC	Future Scholar 529 College Savings Plan - Advisor	Columbia Bank Deposit 529 Portfolio	Columbia Management Investment Advisors LLC
SC	Future Scholar 529 College Savings Plan - Direct	Columbia Bank Deposit 529 Portfolio	
AZ	Fidelity Arizona College Savings Plan	AZ Bank Deposit Portfolio	Fidelity Investments
DE	Delaware College Investment Plan	DE Bank Deposit Portfolio	
MA	U.Fund College Investing Plan	MA Bank Deposit Portfolio	
NH	UNIQUE College Investing Plan	Bank Deposit Portfolio	
CO	Smart Choice College Savings Plan	Money Market Savings Account	FirstBank Holding Company
NE	State Farm College Savings Plan	Bank Savings	First National Bank of Omaha
NE	Nebraska Education Savings Trust - Advisor	Bank Savings	
NE	Nebraska Education Savings Trust - Direct	Bank Savings	
ME	NextGen College Investing Plan – Client Direct	NextGen Savings Portfolio	Merrill Lynch, Pierce, Fenner & Smith Incorporated
ME	NextGen College investing Plan – Client Select	NextGen Savings Portfolio	
OH	CollegeAdvantage Direct 529 Savings Plan	Fifth Third 529 Savings Account	Ohio Tuition Trust Authority
TN	TNStars College Savings 529 Program	First TN Interest Bearing Account	State of Tennessee Department of Treasury
OR	Oregon College Savings Plan	FDIC-Insured Option	Sunday Administration, LLC Utah Higher Education
UT	my529	FDIC-Insured Option	Assistance Authority
VA	InVest 529	FDIC-Insured Option	Virginia College Savings Plan