

DE 529 EDUCATION SAVINGS PLAN

2021 Q3 BUSINESS UPDATE

PLANS MANAGEMENT BOARD

DECEMBER 2021 MEETING



Program Summary:

Delaware's 529 Plan, also known as DE529, is sponsored by the State of Delaware and managed by Fidelity Investments. The Plan provides tax-advantaged accounts designed to help parents, grandparents and others pay for education expenses, reducing the possibility of debt. Contributions can be invested in portfolios tailored to a person's age or the investor's ability to identify an asset allocation strategy.

DE529 goals:

- Grow accounts
- Increase Contributions
- Build a top tier plan

Target audience:

Parents with kids 0-12 years + Grandparents, in the state of Delaware

Third Quarter (2021) Highlights:

- **New accounts grew by 6%** in Q3 2021 vs Q3 2020 while the industry was down 2%
- 70% of new accounts in Q3 were opened by an **existing Fidelity customer**, versus 68% in Q2 of 2021
- 48% of new accounts opened in Q3 2021 **were for children under age 5** which was up 3% compared to Q2
- There was a **15% increase in new accounts for Delaware residents** versus Q3 2020 while the industry was down 2%
- Total **contributions in the quarter were up 7%** vs Q3 2021 while the industry increased by 33%
- **New account contributions increased by 74%** vs Q3 2020 also outpacing the industry
- **Overall assets in the plan** were down 3.7% from Q2 2021 at \$739 million which trailed the industry by 1%
- **Distributions from the plan increased 21%** over Q3 2021 resulting in net sales of - \$25.6 million
- Morningstar reaffirmed the plan's **"Bronze" medal rating** in October

Recent and Upcoming Initiatives:

- Finalize new contract with Fidelity
- Submitted trademark filing for new name and rebranded of plan in September
- Explore partnerships with three birthing hospitals
- 2022 Match incentive program and scholarship pilot
- Stable value investment product

Q3 2021 vs Q3 2020



New accounts
+ 6%

- 48% of new accounts opened in Q1 2021 **were for children under age 5**

Contributions
+7%

Distributions
+ 21%

- 73% of assets are for beneficiaries older than 14 years old

APPENDIX



GROW ACCOUNTS

Goal One – Further Optimize Fidelity Marketing and DE529 Plan Marketing Spend

Goal Two – Test and Implement a Match Incentive Program

Goal Three – Establish Partnerships with Top Three Birthing Hospitals in Delaware

Goal Four –Partner with Delaware Public Schools

Goal Five –Workplace Messaging

INCREASE CONTRIBUTIONS

Goal One – Support HB145 Tax incentive legislation within Delaware to attract additional contributions

Goal Two – Test and Implement a Match Incentive Program

Goal Three –Collaborate with Fidelity on Gifting Tool Promotion and Employer Contributions

BUILD TOP TIER PLAN

Goal One – Create a “State Collective” of Fidelity 529 Plans

Goal Two – Continue to Strengthen Oversight with Board and Committees

Goal Three – Implement Strategy for Administrative Fee Balances

Goal Four –Pass HB145 Tax Incentive

Goal Five –Scholarship Pilot (Foster Youth)

- *Green font represent “always on” efforts*

Focus Timeline

2021

- ✓ *RFP for Plan*
- ✓ *Rebranding of plan*

2022

- *Test Match Incentive Program (May 29th)*
- *Support HB145 Tax Incentive*
- *Top birthing hospital partnerships*
- *Implement strategy for administrative fee balances*
- *Scholarship Pilot*

2023

- *Workplace messaging/employer campaigns*
- *Match Incentive Program assessment*
- *Collaborate with Fidelity on workplace*
- *Promotion of gifting tool*
- *Host virtual “State Collective” Summit*
- *Scholarship Pilot*

2024

- *Morningstar Medal Assessment*
- *Scholarship Pilot*