

DE 529 EDUCATION SAVINGS PLAN

2023 Q4 BUSINESS UPDATE

PLANS MANAGEMENT BOARD

MARCH 2024 MEETING



2017	\$681 million
2018	\$624.3 million
2019	<i>\$684.4 million</i>
2020	<i>\$728.0 million</i>
2021	<i>\$747.3 million</i>
2022 (12.31)	<i>\$612.67 million</i>
2023 Q4	<i>\$651.1 million</i>

Aged Based Portfolios

- \$436.7 million or **67%** of total plan assets
- *Active Age-Based* (\$297.3 million or 46% of total assets)
- *Blend Age- Based* (\$20.0 million of 3% of total assets)
- *Index Age-Based* (\$119.4 million or 18% of total assets)

Static Portfolios /Individual Funds/ and Bank Deposit Portfolio

- **33%** of total plan assets
- \$214.4million

As of 12.31.23



DE 529 New Accounts

	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Total	YOY
2016	121	104	106	72	92	77	92	91	80	71	94	140	1,140	
2017	111	88	98	92	69	63	110	117	96	92	97	151	1,184	4%
2018	160	105	174	110	95	97	121	140	99	126	120	175	1,522	22%
2019	141	100	118	111	103	93	143	122	88	160	135	216	1,530	1%
2020	197	142	165	172	131	135	170	125	130	140	121	266	1,894	19%
2021	247	225	228	195	147	145	150	149	151	105	134	196	2,072	9%
2022	176	182	134	128	95	128	137	146	161	147	152	337	1,923	-8%
2023	248	246	247	224	247	218	229	242	248	220	213	411	2,993	36%

- New accounts grew 36% year over year (40%)
- One of the fastest growing direct-sold plans in the country
- Dec 2023 topped 400 accounts in a month
- \$58.9 million in contributions in 2023 which was second only to 2021 which was aided by federal stimulus funds

DE529 PLANS– FIRST STATE, FIRST STEPS UPDATE



	2021-2022 - No Incentive Program												Total
	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	
DE529 Accounts	150	149	151	105	134	196	176	182	134	128	95	128	1,728
DE529 Accounts (Under 5)	79	74	65	51	65	96	72	89	72	72	42	50	827
Out of State Accounts	46	48	47	25	37	91	55	64	50	35	26	33	557
Out of State Accounts (Under 5)	24	21	25	13	12	38	19	27	17	20	7	12	235
Delaware (Resident/Beneficiaries) DE529 Accounts	104	101	104	80	97	105	121	118	84	93	69	95	1,171
Delaware (Resident/Beneficiaries) DE 529 Accounts (under 5)	55	53	40	38	53	58	53	62	55	52	35	38	592

	2022-2023 - Incentive Program												Total
	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	
DE529 Accounts	137	146	161	147	152	337	248	246	247	224	247	218	2,510
DE529 Accounts (Under 5)	67	82	62	61	68	206	117	115	106	104	110	96	1,194
Out of State Accounts	34	42	65	58	57	95	99	130	116	90	120	69	975
Out of State Accounts (Under 5)	15	21	12	9	16	43	35	44	35	31	44	29	334
Delaware (Resident/Beneficiaries) DE529 Accounts	103	104	96	89	95	242	149	116	131	134	127	149	1,535
Delaware (Resident/Beneficiaries) DE 529 Accounts (under 5)	52	61	50	52	52	163	82	71	71	73	66	67	860

	2023-2024 - Incentive Program												Total
	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	
DE529 Accounts	229	242	248	220	243	411							1,593
DE529 Accounts (Under 5)	102	124	114	97	104	233							774
Out of State Accounts	99	92	101	79	103	256							730
Out of State Accounts (Under 5)	38	35	35	18	36	76							238
Delaware (Resident/Beneficiaries) DE529 Accounts	130	150	147	141	140	155							863
Delaware (Resident/Beneficiaries) DE 529 Accounts (under 5)	64	89	79	79	68	157							536

- Continuing to monitor the program**
- ✓ **Growth in overall accounts**
- ✓ **Attracting more Delaware residents with a beneficiary age 5 or under**
- ✓ **Lift in the funding % of Delaware residents with beneficiary aged 5 or under**



The details on converting unused 529 funds to a Roth IRA:

- The lifetime distribution limit is \$35,000 per beneficiary.
- The maximum annual conversion amount is the IRS maximum for IRAs, currently \$7,000 for those under age 50, less any other IRA contributions made that year by the beneficiary.
- The 529 plan must be open for at least 15 years.
- The Roth IRA must be in the name of the beneficiary of the 529. That beneficiary must have earned income at least as much as the rollover amount. Unlike a direct Roth contribution, the income limit does not apply to these Roth conversions.
- The rollover must be a direct rollover from the 529 plan to the Roth IRA custodian (trustee to trustee). The owner or beneficiary cannot take a check – no 60-day rule.
- Contributions and earnings on those contributions made in the last five years cannot be converted to a Roth.

The industry is waiting on further guidance from IRS on questions such as:

- Does the 15-year rule mean it has to be the same beneficiary?
- Does the 15-year rule include the time an account was open at another plan if it is rolled over from another state?
- How can one track the income by contributions for the past five years if the plan does not calculate it?
- Can one change the beneficiary after the \$35,000 has been distributed to someone else (or even themselves) and start another \$35,000 distribution to a Roth?
- Can a beneficiary over age 50 make a catch-up contribution of \$1,000 in addition to the \$7,000?





APPENDIX





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.

① 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

② 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

③ 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)

Focus Timeline

2021

- ✓ RFP for Plan
- ✓ Rebranding of plan

2022

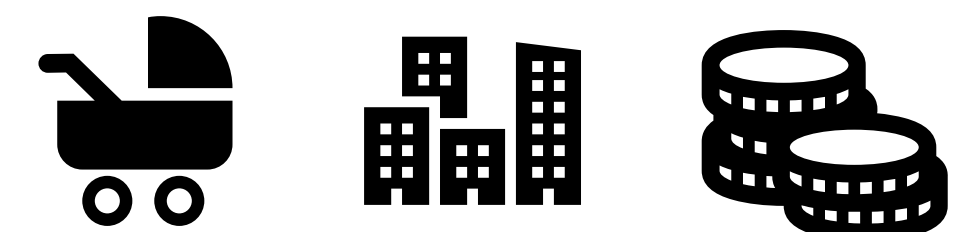
- ✓ Test Match Incentive Program (May 29th)
- ✓ Support HB145 Tax Incentive
- ✓ Top birthing hospital partnerships
- Implement strategy for administrative fee balances
- ✓ Scholarship Pilot

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



• Green font represent “always on” efforts