FLORIDA PREPAID COLLEGE SAVINGS PLANS

Starting is Believing

2019 Florida 529 Savings Plan Enhancements

Presented by:
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1

About Me

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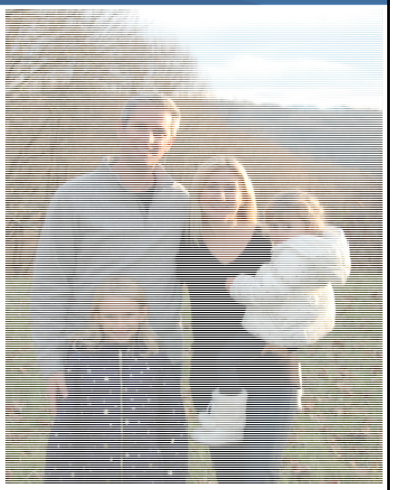
- 19 years as Financial Adviser
- Certified Financial Planner practitioner (2005)
- Founded SMART College Funding in 2011
- 8 years specializing in college funding
- Father of 2 young daughters
- Florida Prepaid Beneficiary



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2

Mission Statement

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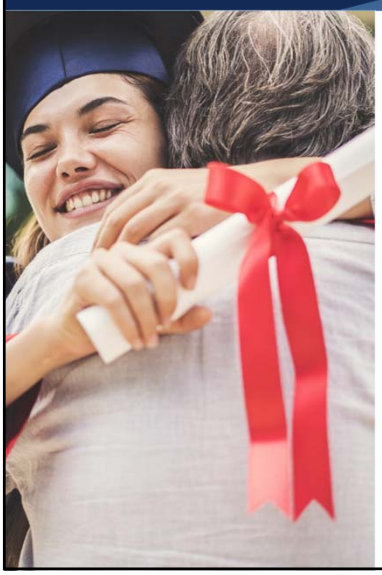

"The Florida Prepaid College Board is committed to helping Floridians save for future qualified higher education expenses by providing a cost-effective, financially sound, Prepaid College Plan and other college savings programs."

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3

State of Affairs: College Loan Debt

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- Student loan debt is a significant issue, with loan debt at $1.5 trillion and the average Florida student graduating from college with $24,000 in loans.
- Since 1985 the cost of college has increased 538%– more than medical costs (286%) and gasoline (200%).
- The average salary for a Florida graduate holding a bachelor's degree from a Florida College is $52,768, compared to just $23,920 for someone with a high school diploma, according to the Florida College System
- According to the U.S. Department of Education, college graduates on average earn $1 million more over their lifetimes than high school graduates

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4

State of Affairs

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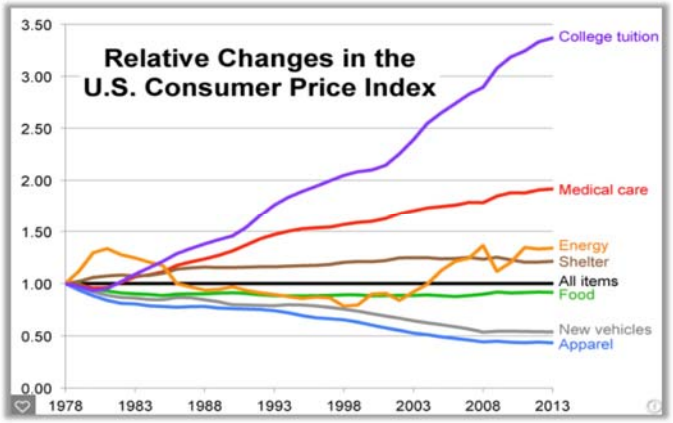

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5

Program Overview

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- **Florida Prepaid College Plans** allow families to pay for the future cost of college in advance.
  - Choose a plan and make the payments
  - A child's college tuition and most fees are covered
  - Guaranteed by the state of Florida
- **Florida 529 Savings Plans** allow families to save at their own pace.
  - Invest in savings options we offer
  - Earnings are tax free if spent on qualified higher education expenses
  - Not guaranteed like the Prepaid Plan

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6

By The Numbers

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Florida Prepaid College Plan

- Over 2 million Prepaid Plans sold to date
- 52% of accounts purchased for Beneficiaries age 0-4
- We always have been and continue to be fully funded.
- 460,000 students have attended college using a Prepaid Plan

Florida 529 Savings Plan

- Over 80,000 active 529 Savings Plan accounts
- Over $675 million total market value

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7

529 Savings Plan Enhancements

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The Florida Prepaid College Board has just made substantial enhancements to the Florida 529 Savings Plan.

Enhancements were made in the following areas:

- Age-based option
- Static options
- Investment Funds
- Individual asset class options
- Fees

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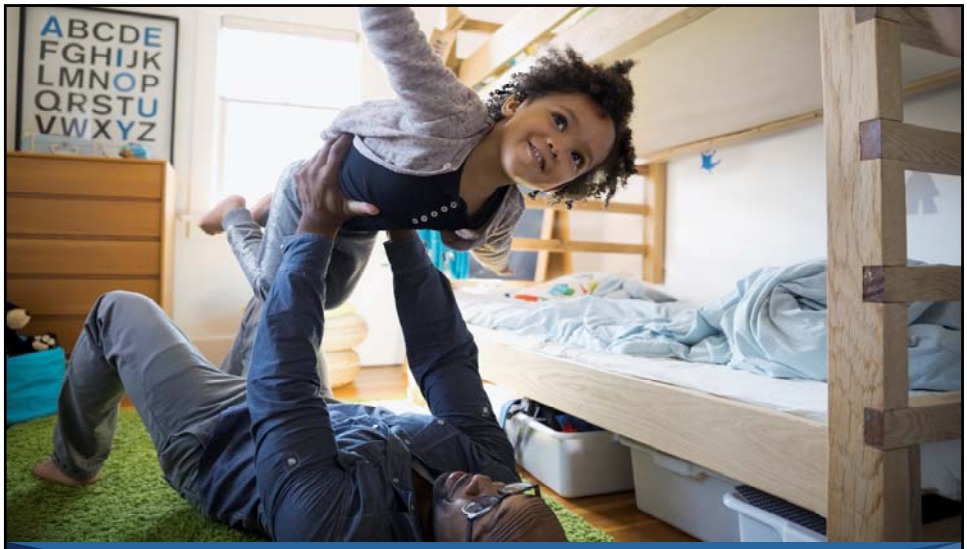
8



Enhancements Overview

Deep Dive

9

Vision for the Enhancements

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Win Florida!

- Focus on Florida families
- Simplify the investment process
- Offer high quality, well-diversified investment options
- Provide competitive fees

Florida 529 Savings Plan

$675M in AUM
80,000 accounts
92% are Florida residents

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10

Journey for the 2019 Plan Enhancements

Over the past 18 months, the Board worked with experienced **investment and 529 consultants** to refine the investment options, add **new investment managers**, and bring this vision to reality.

Consultants

AON AKF CONSULTING

- Asset allocation
- Manager selection
- Best practices

Investment Managers

Vanguard EatonVance Dimensional

- Name brand
- Positive future outlook
- Historical performance

The enhancements were launched September 2019!

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11

Results of the 2019 Plan Enhancements

The Florida 529 Savings Plan offers diversified, low cost investment options that meet the varying investment needs of Florida families.

- A single age-based option at a competitive fee (15 – 21 bps)
  - Contains 16 age groupings
  - Incorporates high quality active and passive funds
  - Blends diversified equity and fixed income throughout
- Six professionally designed static options
  - Diversifies with high quality funds
  - Offers growth, income and blended strategies
  - Provides multi-manager active/passive options (19 – 22 bps)
  - Adds low cost passive options (7 – 9 bps)
- Average cost of 18 bps
- Florida residency required

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12

New Florida 529 Savings Plan Lineup and Fees

Multi-Manager Age-Based Option	Multi-Manager Static Options	Passive Static Options	Individual Fund Options	
Multi-Manager Age-Based Portfolio (16 bands) 15-21 bps	**Multi-Manager Growth Portfolio** 21 bps	**Passive Growth Portfolio** 7 bps	**Money Market** FL Prime 4 bps	**Large-Cap Value Equity** QMA 15 bps
	Multi-Manager Blended Portfolio 19 bps	**Passive Blended Portfolio** 7 bps	**Core Fixed Income** Wellington 15 bps	**Large-Cap Growth Equity** BMO 15 bps
	Multi-Manager Income Portfolio 22 bps	**Passive Income Portfolio** 9 bps	**Total U.S. Equity Index** Vanguard Total Stock Market Index 2 bps	**Small/Mid Cap Equity** 50% Alliance Bernstein 50% Fiduciary 62 bps
				Developed International Equity PanAgora 30 bps

13

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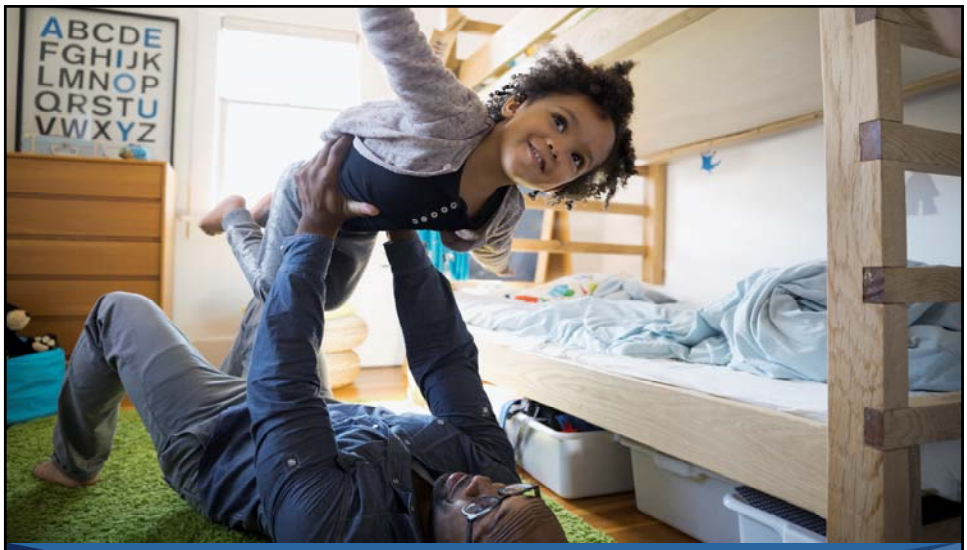
13



Enhancement Highlights

Deep Dive

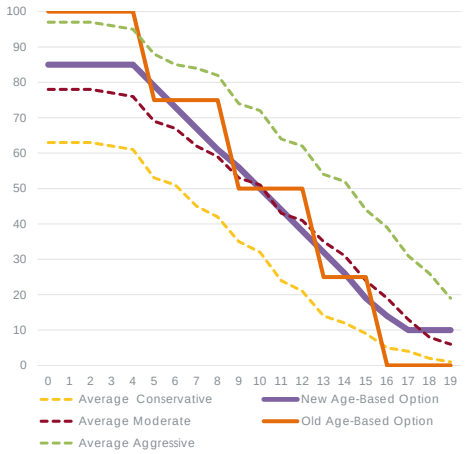
14

Age-Based Option

Age-based Options are professionally developed portfolios that automatically reallocate to less risky assets as the participant ages.

Participants experience market timing risk when transitioning from one age grouping to the next.

Market timing risk was reduced by increasing the number of age groupings from 5 to 16.



15

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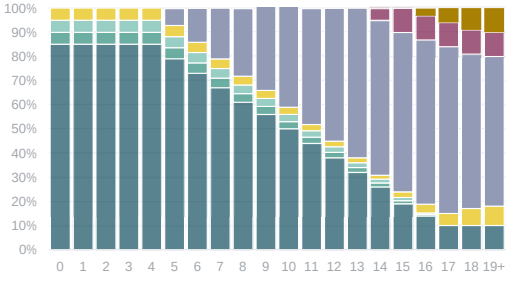
Age-Based Option Allocation

Asset class allocation is the primary driver of long-term success for age-based options.

Allocations were refined to include equity and fixed income at all ages.

Asset classes were added to provide diversification.

High quality funds were added (Vanguard, Dimensional Fund Advisors, Eaton Vance).



- **Global Equity***
- Core Fixed Income
- **High Yield Bonds***
- **Bank Loans***
- **Emerging Market Debt***
- **Treasury Inflation-Protected Securities (TIPS)***
- Money Market

** New diversifying asset classes*
See Appendix for allocation details.

16

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16

Static Options

Static Options are professionally developed portfolios that do not change based on the age of the participant.

Static Options were expanded from 2 to 6 and accommodate various investment strategies:

Previous Options	New Options	
Blended Equity Portfolio Equity only with allocations among individual stock funds	**Multi-Manager Growth** Emphasis on return seeking asset classes	**Passive Growth** Emphasis on return seeking asset classes
Balanced Portfolio 50% equity and 50% fixed income	**Multi-Manager Blended** Blend of return seeking and fixed income asset classes	**Passive Blended** Blend of return seeking and fixed income asset classes
	Multi-Manager Income Emphasis on fixed income asset classes	**Passive Income** Emphasis on fixed income asset classes

17

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17

Static Option Allocations

Asset class allocations were broadened to incorporate greater:

- Name brand recognition
- Diversification

Passive options include only passive Vanguard index funds.

Multi-Manager options include both active and passive funds.

18

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** New diversifying asset classes*
See Appendix for allocation details.

18

Investment Fund Enhancements

High quality funds were added to each portfolio:

- Name brand recognition
- Forward-looking outlook
- Historical performance

53% of assets are in the new funds, with remainder invested in:

- Individual fund options
- Active management

Fund	Morningstar Medals	Morningstar Stars
Global Equity		
DFA Global Equity	Silver	4
Vanguard Total Stock Market Index	Gold	4
Vanguard Total International Stock Market Index	Gold	3
Core Fixed Income		
Vanguard Total Bond Market Index	Silver	3
High Yield Bonds		
Vanguard High-Yield Corporate Fund	Silver	4
Emerging Market Debt		
Vanguard Emerging Markets Bond Fund	Gold	3
Bank Loans		
Eaton Vance Floating Rate Fund	Bronze	4
TIPS		
Vanguard Short Term Inflation Protected Securities Index Fund	Gold	2

Ratings as of August 1, 2019

19

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19

Individual Asset Class Options

Individual asset class options were refined for do-it-yourself investors.

The **core U.S. equity option was Transitioned to Vanguard** to provide:

- Better value
- More name recognition
- Expanded benchmark

The **small and mid cap equity options were merged** to provide:

- Blended investment styles
- Additional diversification
- Broader benchmark

Individual Fund Options

Money Market FL Prime 4 bps	**Large-Cap Value Equity** QMA 15 bps
Core Fixed Income Wellington 15 bps	**Large-Cap Growth Equity** BMO 15 bps
Total U.S. Equity Index Vanguard Total Stock Market Index 2 bps	**Small/Mid Cap Equity** 50% Alliance Bernstein 50% Fiduciary 62 bps
	Developed International Equity PanAgora 30 bps

20

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Fee Reductions

The Board substantially reduced fees which keeps more money in each participant's account.

Competitive fee examples include:

- Vanguard Total U.S. Equity Index for 2 bps
- Vanguard passive static options for 7 - 9 bps
- Age-based option that blends active and passive management for 15 - 21 bps

Investment Options	Current Fee (bps)	New Fee (bps)
Age-Based Portfolio	68 -75	**15-21**
Multi-Manager Growth Portfolio	68	**21**
Multi-Manager Blended Portfolio	71	**19**
Multi-Manager Income Portfolio	N/A	**22**
Passive Growth Portfolio	N/A	**7**
Passive Blended Portfolio	N/A	**7**
Passive Income Portfolio	N/A	**9**
Total U.S. Equity Index	39	**2**
Large Cap Value Equity	75	**15**
Large Cap Growth Equity	75	**15**
Small/Mid Cap Equity	75	**62**
Core Fixed Income	75	**15**
Developed International Equity	75	**30**
Money Market	4	**4**
Average	**64**	**18**

21

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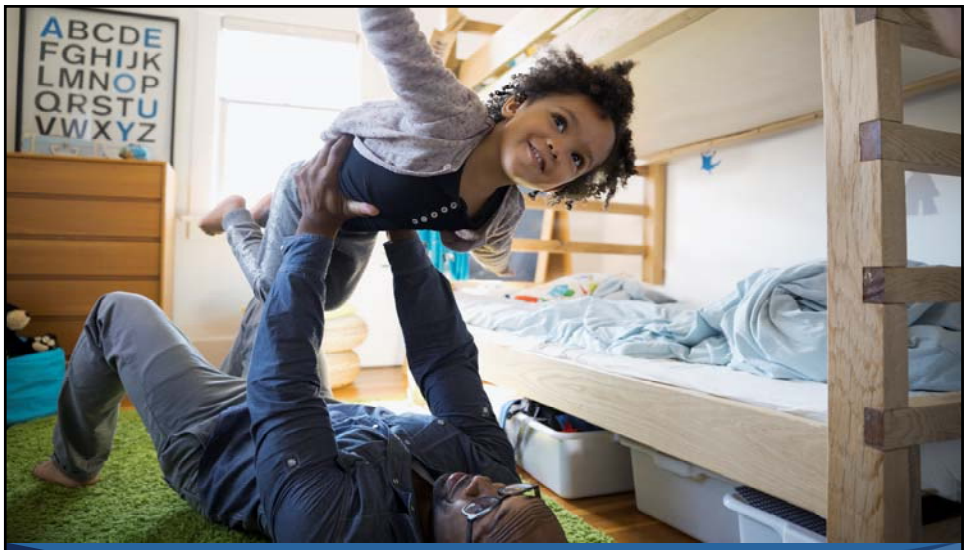
21



Florida Prepaid Plans

Deep Dive

22

Pricing Factors

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Prepaid Plan pricing is based on the following:

- Current cost of college
- Anticipated rise of tuition and fees
- Projected investment yields

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23

What the Plans Cover

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- **Tuition**
  - Matriculation Fee
  - Student Financial Aid Fee
  - Capital Improvement Fee
- **Tuition Differential Fee**
- **Local Fees**
  - Athletics Fee
  - Activities and Services Fee
  - Health Fee
  - Technology Fee

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24

Our Plans

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2-Year Florida College Plan
Prepaid Plan that covers tuition and most fees for 60 credit hours at a Florida College.

4-Year Florida College Plan
Prepaid Plan that covers tuition and most fees for 120 credit hours at a Florida College.

2 + 2 Florida Plan
Prepaid Plan that covers tuition and most fees for 60 credit hours at a Florida College and for 60 credit hours at a State University

4-Year Florida University Plan
Prepaid Plan that covers tuition and most fees for 120 credit hours at a State University.

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25

1-Year University Plan

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1-Year Florida University Plan
Prepaid Plan that covers tuition and most fees for 30 credit hours at a State University

- Buy up to four years at a university in one-year increments as families can afford it
- No pressure to buy all four years at once
- One student, different purchasers
  - For example: Grandmother can buy one year, Mom and Dad can buy one year, etc.
  - Each account is separate
- Add additional years during a future Open Enrollment
- Lowest-price plan

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26

Eligibility

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- **Age of Beneficiary**
  - Newborn through 11th grade
- **Residency**
  - The child or his/her parent or legal guardian must have been a Florida resident for the past 12 months.
- **When can families purchase?**
  - Families can purchase Prepaid Plans during Open Enrollment

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27

Why a Prepaid Plan?

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- **Guaranteed**
  - Plans are guaranteed by the state of Florida.
- **Prices locked**
  - Lock in the cost of college for less.
  - Plan payments can never increase.
- **Peace of mind**
  - Don't have to worry about tuition inflation or what the markets are doing.
- **Simple**
  - Easy online application.
  - State employees can do automatic payroll withdrawal.
- **Flexible**
  - Choose the plan that works for your family's budget

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28

Prepaid vs Savings

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	Prepaid Plans Purchase a guaranteed plan with fixed payment options to lock in future college costs for less.	Savings Plan Invest for tomorrow's education expenses, contributing what you can, when you can.
Guaranteed by the State of Florida	✓	–
Age requirement (newborn – 11th grade)	✓	–
Tax-free growth	✓	✓
Florida residency required for purchase	✓	✓
Use plan value nationwide	✓	✓
Gift contributions accepted	✓	✓
Transfer or cancel at any time	✓	✓
Use with scholarships	✓	✓
	Plan Prices How It Works	Investment Options How It Works

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29

Myths, Busted!

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Myth: If I get a scholarship, I lose my plan savings.

- ✓ **Truth**: Prepaid Plans work great alongside scholarships, and you can use them together to cover even more college expenses. For example, the value of Prepaid Plan benefits can also be applied to graduate or professional schools nationwide. If your student receives a scholarship, you also have the option to get a refund for the same amount as the plan would pay a public college or university in Florida based on your plan type.

Myth: If a child moves out of Florida before using it, the value of the plan is lost.

- ✓ **Truth**: If a child is a Prepaid Plan Beneficiary and moves out of Florida, the child remains eligible for in-state tuition and fees at a Florida College or State University. The value of plans – what we would pay a Florida school - can also be applied to public, private, in-state and out-of-state institutions nationwide.

Myth: I can only use my prepaid plan in Florida.

- ✓ **Truth**: While Florida Prepaid Plans are designed to be used at a Florida College or State University, the plans can also be applied at other schools nationwide. Plans can be used at in-state, out-of-state, public or private schools around the country – or even the world. With your Florida Prepaid Plan, the value we pay to other schools is the same as we would have paid to a Florida school.

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30

2020 Open Enrollment

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- Open Enrollment begins Feb. 1, 2020 and ends April 30, 2020 for Prepaid Plans.
- Enrollment in the 529 Savings Plan is open year-round.

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31

Check Out the New Pricing Tool!

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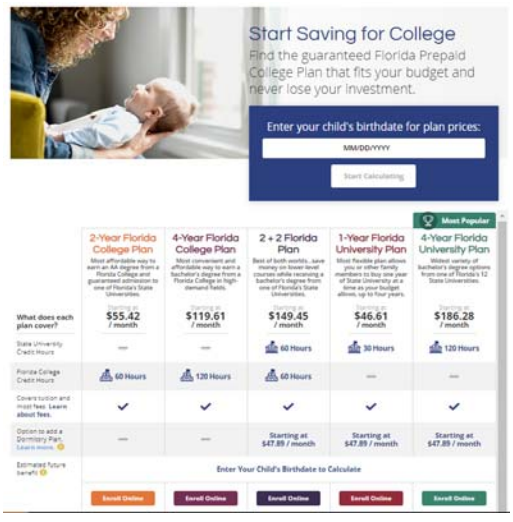

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32

Resources

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- Learn more at: www.myfloridaprepaid.com
- Check out our new pricing calculator: https://www.myfloridaprepaid.com/prepaid-plans/plans-and-pricing/
- Customer Service: 1.800.552.GRAD (4723)
- Facebook: https://www.facebook.com/FloridaPrepaid
- Instagram: https://www.instagram.com/myfloridaprepaid/
- Webinar Questions: shannonc@themooreagency.com

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33

Thank you!
Questions?

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34