

529 Scorecard by Nasdaq Fund Network

January 31, 2022

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Product Analysis: 529 Awareness, Transparency, and Performance

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This white paper introduces the 529 Scorecard by Nasdaq Fund Network. The scorecard presents the investment option with the largest quarterly change in net asset value (NAV) price. 529 plans in scorecard represent plans currently registered on the Nasdaq Fund Network, and the scorecard does not consider differences in asset allocation, investment style, share class, and other key factors. for the investments presented. As always, investors should consider all investment options to identify an investment option that best meets the investor's objectives.

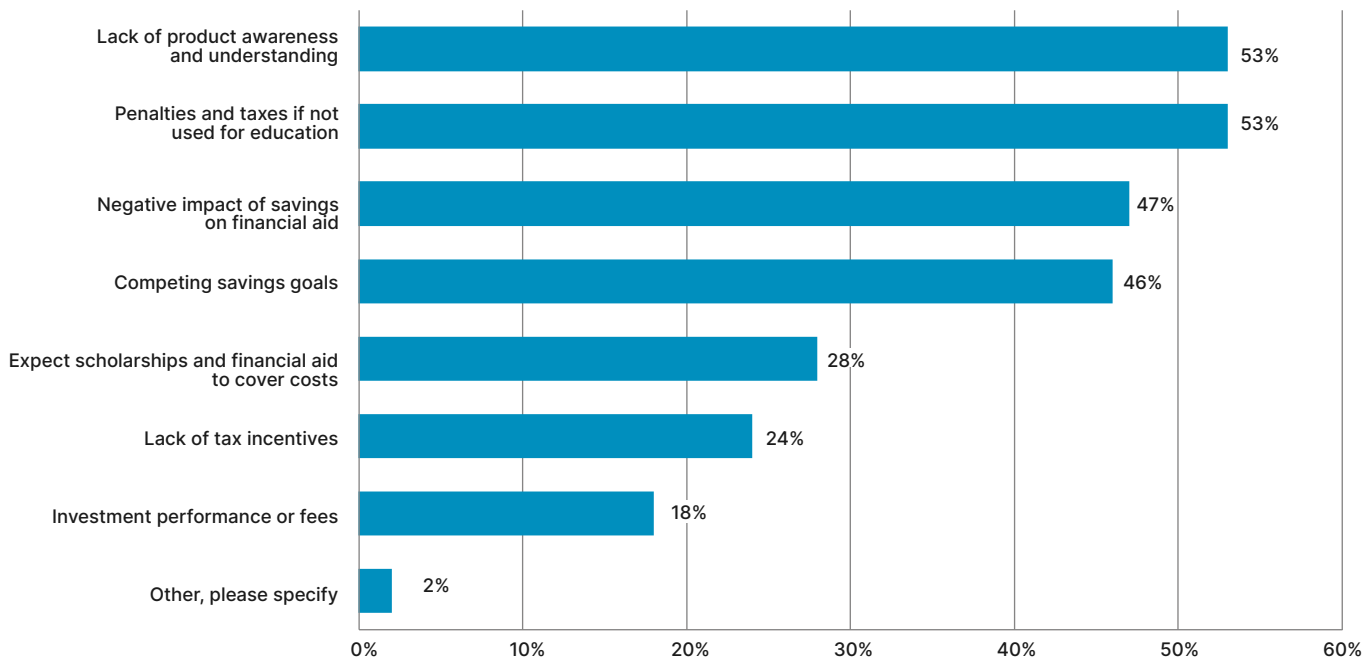
Commentary by Paul Curley, CFA

Quarterly Top-10 529 Investment Options by Net Asset Value Change in 4Q 2021. The 529 Scorecard by Nasdaq Fund Network is a methodology (also called the "529 Scorecard") that will initially report each plan's top 529 investment option by net asset value (NAV) change in a quarter. The Scorecard will include only those plans that are currently registering 529s with searchable symbols on the Nasdaq Fund Network. Over time, the frequency may increase from quarterly to monthly, and may zoom in to focus on specific investment types or strategies. The goal of the initiative is three-fold:

- 1). Build Awareness.** Awareness continues to be the leading hurdle and opportunity for the 529 industry. Based on the ISS Market Intelligence 529 Distribution Analysis 2021 as highlighted in Table 1, 53% of advisors report that lack of product awareness and understanding is the leading issue for 529 growth for their clients. Similarly, from the parent's perspective, 21% of parents overall are not aware of 529s and don't know how they work as reported in the ISS Market Intelligence 529 Industry Analysis 2021 and reported in Table 2. Furthermore, 51% of non-college saving parents are not aware of 529s or know how they work. In other words, the majority of parents not saving for their children's college know about 529 plans which is an opportunity for the industry to solve.

Table 1

Perceived Issues with 529 Plans, 2021



Source: ISS Market Intelligence 529 Distribution Analysis, 2021

Table 2

Consumer Survey 2021: Awareness and Understanding of 529 Plans	
Response	All respondents
Yes, I am aware of them and know how they work	54%
Yes, I am aware of them, but do not know how they work	25%
No, I am not aware of them and do not know how they work	21%

Source: ISS Market Intelligence 529 Industry Analysis 2021

2). Spotlight Industry Participants. Secondly, the 529 Scorecard will spotlight top-performing industry programs. Additionally, the 529 Scorecard will highlight Nasdaq's unique ability to add value to the industry with searchable symbols – complete with historical pricing. Layered on top of its high quality, high-speed trusted searchable symbols and historical pricing, the industry will gain the media power of Nasdaq to spotlight both its efforts and the industry's efforts to help more families to save and save efficiently for education which provides a number of downstream positive benefits for both the family and the community.

3). Focus on Performance: The 529 Scorecard will focus on performance (which is net of fees) to help families, advisors and employers focus on growth of assets which is the most important factor of 529s, and its value add to families in comparison to other investment vehicles as reported in Table 3. This is due to 529s providing families with state and federal tax-free growth, and tax-exempt growth if and when used for qualified higher education expenses. Furthermore, as highlighted in Table 1, 18% of advisers report 529 performance and fees as a major hurdle to 529 usage and growth, and therefore the Scorecard will help debunk an all-too-common myth about 529 college savings plans. Therefore, the 529 scorecard helps families focus on the key value proposition of tax-advantaged growth through performance. While there are many other important factors to 529s such as the potential for the beneficiary's home state offering any state tax or other state benefits such as financial aid, scholarship funds and protections from creditors that are only available for investments in that state's qualified tuition program, this tax-advantaged asset growth through performance is the most compelling for investors and advisors based on the proprietary research by ISS Market Intelligence and Nasdaq Fund Network is uniquely available to help the industry growth both through the 529 Scorecard and 529 Symbol Initiative.

Table 3

Consumer Survey 2021: Plan Selection Factors Ranked by Importance by Channel		
Rank	All respondents	Percent of responses
1	Investment performance	74%
2	Low-cost fee structure	68%
3	In-state tax incentives	66%
4	Ease of use and account features (e.g., online enrollment, account maintenance, gifting tool, mobile app, already have a different account with the firm such as an IRA or brokerage account, or low minimum required investment)	63%
5	Experienced investment management	61%

Source: ISS Market Intelligence 529 Industry Analysis 2021

Conclusion: Feedback appreciated and thank you for your support as we seek to drive 529 growth by broadening demographic usage of 529s through expanded transparency, increased confidence through transparency, and partnering with a leading world renown fintech firm that is able to reach new 529 users where they are in an increasingly digital world.

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