GRADVISOR

The **Ultimate Guide** to **Employer-Sponsored 529 Plans**

GRADVISOR

College Savings for Your Employees Made Simple

Gradvisor is the only turnkey college savings platform that includes individual investment advice for all plan participants. We are bringing personalized college savings to the masses to make the dream of a debt-free education a reality for more Americans.

KEY TAKEAWAYS

Gradvisor is the only turnkey college savings platform that includes individual investment advice for all plan participants. We are bringing personalized college savings to the masses to make the dream of a debt-free education a reality for more Americans.

1. Less than 10% of employers offer their employees a 529 college savings plan solution, and those who do are causing their employees to potentially give up a portion of their savings to high fees and foregone tax benefits.

2. We created Gradvisor to help reduce the complexity of employer-sponsored 529 plans and make college savings accessible to more parents.

3. Gradvisor provides employers and employees with personalized advice and powerful technology that make saving for college easy.

4. College savings is an often overlooked, yet integral part of a company's overall financial wellness strategy.

Less than
10%
of employers
currently offer
a 529 plan

73%
of parents
list saving for college as their
top household concern.

For over 15 years, Savingforcollege.com has been a trusted source of unbiased information for families seeking information on 529 plans. Yet, in spite of the tens of thousands of visitors to the site each week, too many families are still not taking advantage of the benefits offered by these plans. Taking a quantum leap forward requires an innovative approach that requires direct access to these families...and so the idea for Gradvisor was born.

Gradvisor builds on the in-depth college savings know-how of Savingforcollege.com with a comprehensive web-based platform offered through employers that delivers personalized college savings advice. Although rising tuition costs are a growing concern among American households, only 48% of parents currently put aside money for their children's college, and only a quarter of them are using 529 plans.[1]

This is partly because the college savings plan landscape is incredibly complex. And while parents are opening 529 plans at an increased rate, the number of accounts is still paltry. Increased access to plans through employers could dramatically change that.

73% of parents list saving for college as their top household concern[2], yet less than 10% of employers currently offer their employees a way to invest in a 529 plan[3]. And those employees who do have a 529 plan option at work are likely losing out on thousands of dollars in savings through a combination of high fees and lost state tax benefits.

Additionally, parents using an employer-sponsored 529 plan are often not equipped with the right information to make wise investment decisions. Potential college savers have questions that need answers. 'How much will college cost in the future?' 'How much do I need to save a month?' 'Which 529 plan should I open?' 'Which one of the 1000+ investment portfolios should I invest in?' Parents are stuck going it alone, thus creating crippling avoidance behavior.

Student debt has surpassed $1.2 trillion and is hurting not only the financial lives of graduates, but also the entire American economy.[4] We knew Gradvisor could help solve this dilemma by helping parents save. It would take a combination of education and encouragement. So we rolled up our sleeves and got to work.

Gradvisor aims to revolutionize college savings by making employer-sponsored college savings plans as common as 401(k) plans. We combine state-of-the-art technology and personalized, professional guidance to help employees select, open and track the best college savings plan for their needs. The student debt bubble has finally met its match.

[1]Sallie Mae, How America Saves for College 2015
[2]GALLUP, U.S. Parents' College Funding Worries are Top Money Concern, http://www.gallup.com/poll/182537/parents-college-funding-worries-top-money-concern.aspx
[3]CNBC, Will 529 Plans be the Next Hot Employee Benefit, http://www.cnbc.com/2015/08/04/will-529-plans-be-the-next-hot-employee-benefit.html
[4]Forbes, How The $1.2 Trillion College Debt Crisis Is Crippling Students, Parents And The Economy, http://www.forbes.com/sites/specialfeatures/2013/08/07/how-the-college-debt-is-crippling-students-parents-and-the-economy/

529 Plans

529 plans were created in the late 1990s to encourage American families to save money for future college costs. They are sponsored by states, state agencies or educational institutions, and are authorized by Section 529 of the Internal Revenue Code. As shown in the table below, 529 plans offer a wealth of benefits that are unmatched by other savings vehicles.

Federal Tax Benefits

Earnings within a 529 plan grow tax-deferred and are eventually tax free when used to pay for qualified higher education expenses. Some states also allow for tax deductions on contributions to a 529 plan.

No Income Restrictions

Unlike other investment vehicles, there are no phase-outs for 529 plans. Anyone, regardless of income, can open and benefit from a 529 plan.

Crowdfunding

Contributions are not restricted to the account owner. Anyone, family member or not, can contribute to your 529 plan, which can help jumpstart your savings.

Minimal Financial Aid Impact

529 plans are considered a parental asset by the FAFSA, meaning it has favorable treatment. Assets within a 529 plan are assessed at a maximum of 5.64%

Flexibility

There are no age or withdrawal restrictions. The beneficiary of the 529 plan can also be changed most family members without any tax consequences.

High Contribution Limits

Most 529 plans have contribution limits of $300,000+, ideal for even those who would like to save for multiple degrees.

How Gradvisor is revolutionizing the current 529 plan landscape

When we first began building Gradvisor, we set out to learn why more employers weren't offering 529 plans to their employees. After all, the plans pitch it as a 'no-cost benefit' they can use to differentiate their benefits package. Sounds like a no-brainer, right?

We discovered quickly that the culprit was a combination of risk, inefficient processes, lack of personalized advice, and antiquated technologies. This 'no-cost' benefit wasn't much of a 'benefit' at all. Partnering with a 529 plan was nothing more than setting up a time-consuming, convoluted, risky funnel from an employee's paycheck to the plan.

Employer Risk and Lost Savings

529 college savings plans are tax-advantaged investment vehicles designed specifically to pay for college costs. They are operated by the states and state agencies, but investors are not limited to using their home state's plan. Every state (except Wyoming) currently operates a 529 plan. Each one has its own pros and cons, investment options, historical performance and potential tax benefits.

This open access creates a complex landscape not only for investors, but for employers considering rolling out a plan to their employees as well. Employers are left with the difficult task of selecting one plan to suit their entire company's needs. This problem becomes increasingly complex when employees live in multiple states, due to various tax implications.

34 states, including the District of Columbia, offer a tax incentive for contributions to 529 plans. However, in 28 of those states, the benefit is only offered to residents who invest in their home state's plan. This can create a sticky situation for larger companies with locations nationwide, as they would need to partner with multiple plans to ensure their employees don't forfeit these tax benefits.

For example, let's say you are an employer based in State A and you have employees in states B, C, and D. States A and B do not afford residents a tax benefit, but states C and D do. That means, no matter which 529 plan you partner with, some employees will be foregoing a tax benefit. This could expose a well-intentioned employer to possible litigation.

In fact, in 2005, the National Association of Securities Dealers (NASD) fined Ameriprise Financial $500,000 for failing to inform clients about the potential tax benefits they were giving up by purchasing an out-of-state 529 plan. The firm was also ordered to pay approximately $750,000 to compensate over 500 accounts for the lost tax benefits.

Employers also need to keep a close eye on plan costs. As stated earlier, each plan will have a different array of fees, and over time, fees can substantially erode earnings. Therefore, blindly partnering with a plan with high fees can cause employers to lose out on potential profits, and limit the amount their employees are able to save for college.

Employers should be especially cautious of this as the Supreme Court recently ruled that employers have a duty to monitor 401(k) investments for unnecessarily high fees. As employer-sponsored 529 plans gain popularity, there is no reason to think they won't be held to the same standard.[6]

[5] FINRA, NASD Fines Ameriprise Financial Services, Inc. $500,000 for Supervisory Violations in 529 College Savings Plan Sales, https://www.finra.org/newsroom/2005/nasd-fines-ameriprise-financial-services-inc-500000-supervisory-violations-529-college
[6] LA Times, Employers must monitor 401(k) fees, Supreme Court rules, http://www.latimes.com/business/la-fi-court-edison-401k-fees-20150519-story.html

Let's look at an example. Below are four real-world 529 plans from four different states.

Plan Characteristics

	State A's Plan	State B's Plan	State C's Plan	State D's Plan
State Tax Deduction	N/A	N/A	$5,000 (single) $10,000 (joint)	$500 (single) $1,000 (joint)
Fees (expense ratio)	0.68%	0.79%	0.16%	0.16%

Part of the difficulty of an employer offering a single plan is harmonizing tax and geographic information across their employee base. As you can see below, taxes and fees can vary widely depending on which plan the employee invests in and which state they currently reside.

State Tax Deduction & Fees

	State A's Plan		State B's Plan		State C's Plan		State D's Plan	
	Tax Deduction	**Fees**	**Tax Deduction**	**Fees**	**Tax Deduction**	**Fees**	**Tax Deduction**	**Fees**
State A Employee	$0	$4,590	$0	$5,290	$0	$1,123	$0	$1,123
State B Employee	$0	$4,590	$0	$5,290	$0	$1,123	$0	$1,123
State C Employee	$0	$4,590	$0	$5,290	$3276	$1,123	$0	$1,123
State D Employee	$0	$4,590	$0	$5,290	$0	$1,123	$1,078	$1,123

Assumes a $150,000 household income filing jointly contributing $200/ month for 18 years and a 6% annualized return. Tax deductions and fees are over the lifetime of the investment.

After offsetting fees with any potential tax deduction the employee may receive, it becomes very clear why a company would have a hard time selecting a single 529 plan to offer to their employees, especially one with employees in multiple states.

In the table below we see that employees A and B would be wise to invest a plan from States C or D, but employees C and D would be better off using their own state's plans. Yet employers who sponsor 529 plans typically only offer employees one option.

Total Cost

	State A's Plan	State B's Plan	State C's Plan	State D's Plan
State A Employee	$4,590	$5,290	$1,123	$1,123
State B Employee	$4,590	$5,290	$1,123	$1,123
State C Employee	$4,590	$5,290	($2,153)	$1,123
State D Employee	$4,590	$5,290	$1,123	$45

Assumes a $150,000 household income filing jointly contributing $200/ month for 18 years and a 6% annualized return. Tax deductions and fees are over the lifetime of the investment.

We built the Gradvisor platform to offer at least one plan from every state (except for WY, which doesn't operate a 529 plan) to give employees access to any potential state tax benefits, as well as an opportunity to find the investment at the lowest cost. This solution not only maximizes employees' college savings, but also protects employers from legal disputes down the road.

Giving an employer the ability to offer multiple 529 plans to their employees was a logical first step in creating our product. However, we knew employees would still have a tough time sorting through the maze of options available to them. Simply adding choice would not solve the problem we set out to conquer. We needed to be smarter. We wanted to make sure every single person was getting the very best advice and thus felt comfortable making an investment. We had to provide personalized, top-notch advice. That was the only way to truly get people saving.

Lack of Personalized Advice

When a 529 plan partners with an employer, the plan usually rolls out the direct-sold version of their plan. This means the employee gets minimal support in making his or her investment. First, the employee must determine if the plan their company partnered with is the right one for them, which, as we saw in the detailed example above, is an exhaustive task.

Next, the employee has to select an investment portfolio within the plan. A given 529 plan may offer dozens of potential investment options, including age-based, blended, and static options, as well as domestic, foreign stock, bonds, and money market fund investment portfolios. For many parents, this could be the first major investment they are handling on their own, and the sheer number of options causes paralysis.

In addition, these new investors are given no guidance on how to choose an investment option that aligns properly with their level of risk tolerance as well as their college savings goals. Even an investor who takes the time to research the of the array of investment portfolios could blindly choose the best performing one, which may be well above their comfort level for risk.

Finally, the employee must decide how much to put away every month to meet future college costs. As the chart below illustrates, this monthly amount can vary greatly depending on the age of the child, what type of school you're saving for, and what percentage of future costs you'd like to save for.

Monthly Savings to Reach Goal

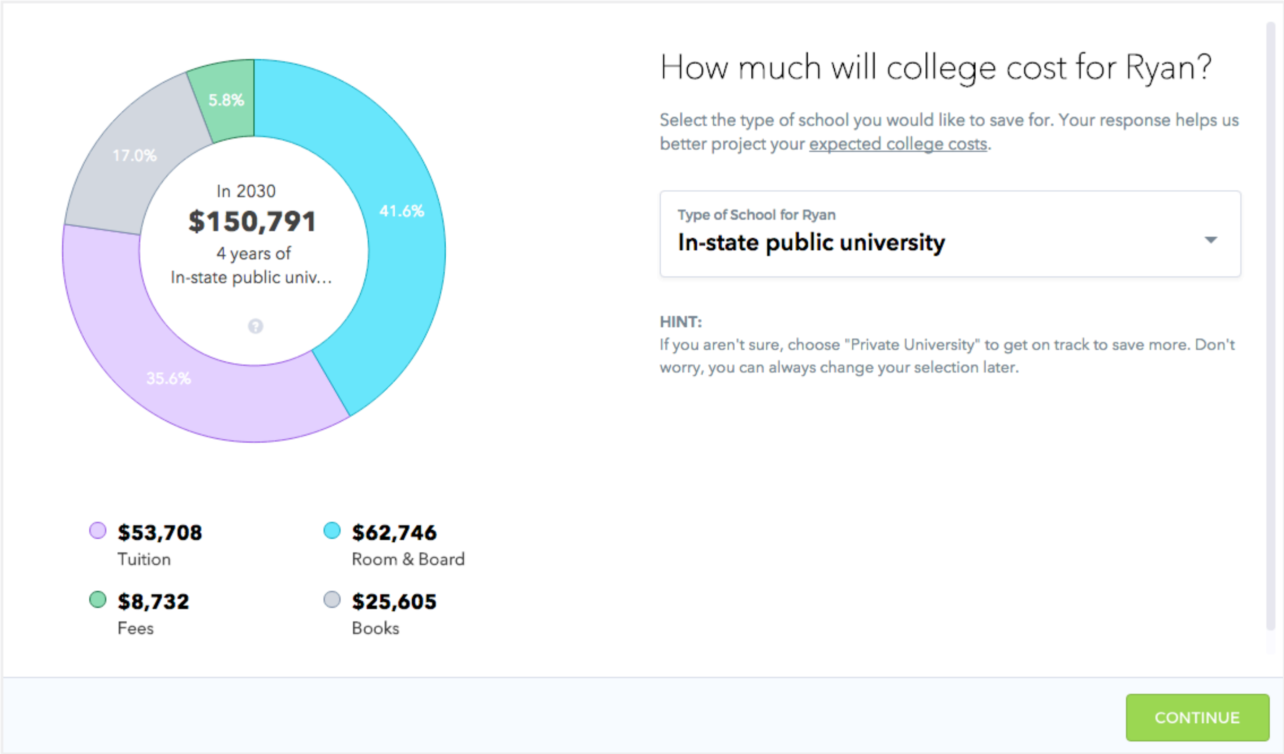
	% of College Costs				
	20%	**40%**	**60%**	**S80%**	**100%**
4-year private $289,057	$126	$251	$376	$501	$626
In-state public $164,773	$72	$214	$214	$286	$357
Out-of-state $239,653	$104	$311	$311	$415	$519
2-year Community College $76,154	$133	$99	$99	$132	$165

Assumes a 6% rate of return. Cost under each college type is projected cost of attendance in 18 years.

Employer-sponsored 529 plans that fail to provide guidance and direction to employees are simply facilitating a payroll deduction. While payroll deductions may make it easier for employees to make a regular monthly contribution, they do not provide a comprehensive strategy for achieving an employee's college savings goals.

We built our platform to easily guide an employee through the process of developing a college savings plan in a matter of minutes. Employees just complete a short questionnaire and Gradvisor is able to gather the information needed to provide personalized college savings advice specific to their family's situation.

Our platform educates employees on what the projected cost of attendance will be at their child's matriculation date. It then calculates how much the employee needs to save every month to cover a certain percentage of those costs.

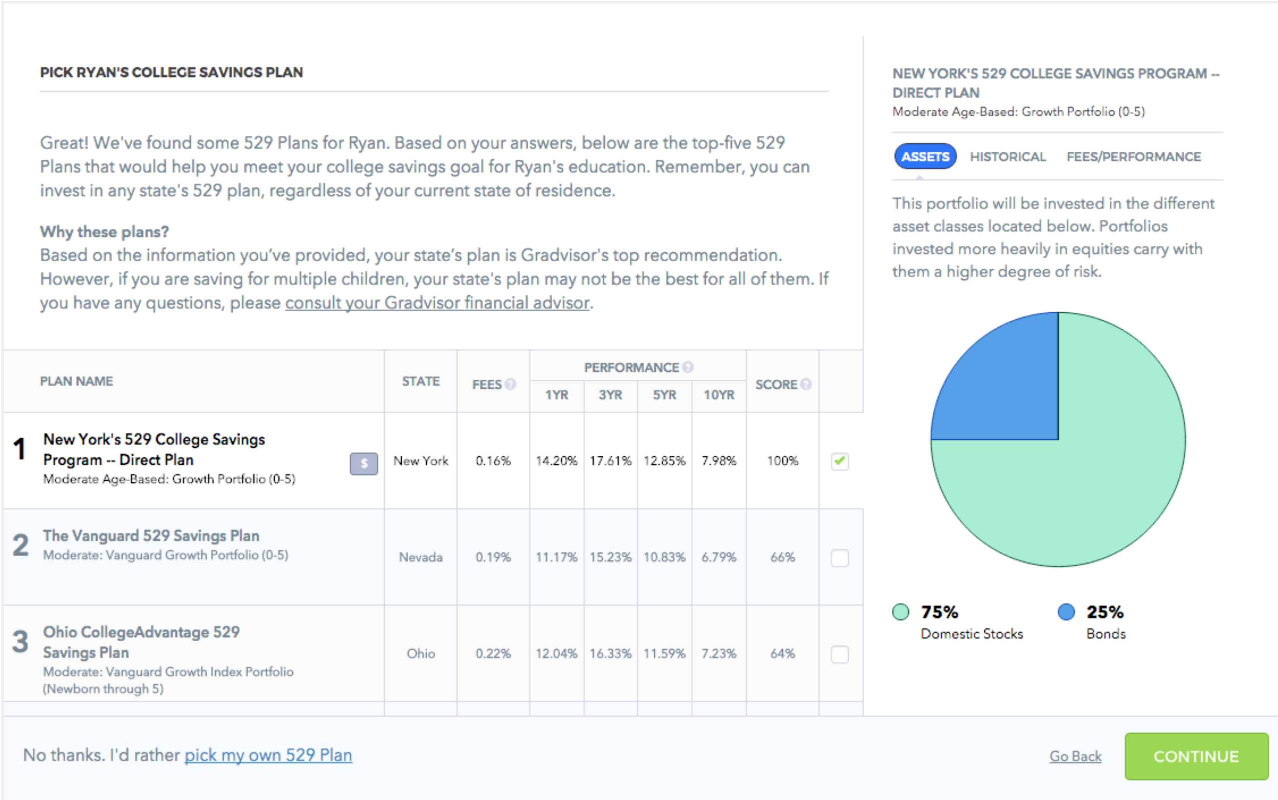


The chart above shows the approximate cost of a 4-year in-state public university in the year 2030. It also gives a breakdown of that costs into tuition, fees, books and room & board, allowing parents to get an idea of the more granular costs.

After an employee decides how much they want to contribute each month, Gradvisor recommends college savings plans and investment portfolios, within their risk tolerance that will maximize their college savings. These recommendations are ranked based on our proprietary 'Gradvisor Score', which harmonizes tangible, readily predictable factors such as contribution amounts, fees, expenses and taxes. Scores are normalized on a 100% scale so employees can gain a better perspective of how much better one plan is than another.

Although the Gradvisor Score does not account for investment performance (as past performance is no indication of future results), each portfolio's historical returns (1Y, 3Y, 5Y, and 10Y) are presented to the client if they wish to include them in their decision making process.

Employees are presented their top plans according to our methodology as well as the best investment option within their state's plan (unless the client lives in Wyoming).
Pertinent attributes for each recommended plan, such as the portfolio's asset allocation and expense ratio, are also available to help employees make a better-informed decision.



PICK RYAN'S COLLEGE SAVINGS PLAN

Great! We've found some 529 Plans for Ryan. Based on your answers, below are the top-five 529 Plans that would help you meet your college savings goal for Ryan's education. Remember, you can invest in any state's 529 plan, regardless of your current state of residence.

Why these plans?
Based on the information you've provided, your state's plan is Gradvisor's top recommendation. However, if you are saving for multiple children, your state's plan may not be the best for all of them. If you have any questions, please consult your Gradvisor financial advisor.

PLAN NAME	STATE	FEES	PERFORMANCE				SCORE
			1YR	3YR	5YR	10YR	
1 **New York's 529 College Savings Program -- Direct Plan** Moderate Age-Based: Growth Portfolio (0-5) $	New York	0.16%	14.20%	17.61%	12.85%	7.98%	100%
2 **The Vanguard 529 Savings Plan** Moderate: Vanguard Growth Portfolio (0-5)	Nevada	0.19%	11.17%	15.23%	10.83%	6.79%	66%
3 **Ohio CollegeAdvantage 529 Savings Plan** Moderate: Vanguard Growth Index Portfolio (Newborn through 5)	Ohio	0.22%	12.04%	16.33%	11.59%	7.23%	64%

NEW YORK'S 529 COLLEGE SAVINGS PROGRAM -- DIRECT PLAN
Moderate Age-Based: Growth Portfolio (0-5)

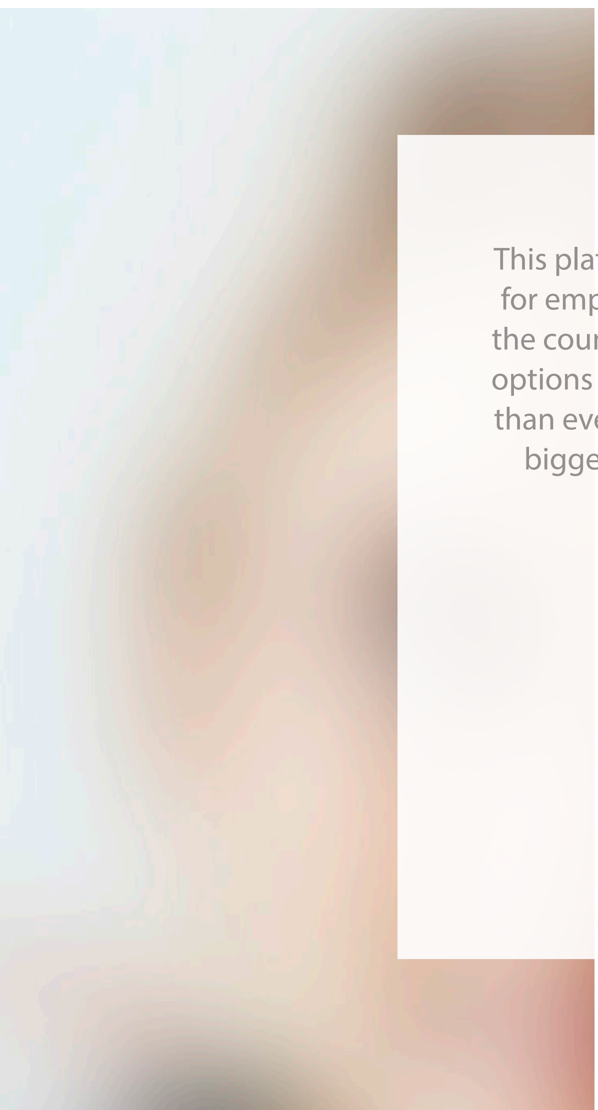
ASSETS HISTORICAL FEES/PERFORMANCE

This portfolio will be invested in the different asset classes located below. Portfolios invested more heavily in equities carry with them a higher degree of risk.

75% Domestic Stocks
25% Bonds

No thanks. I'd rather pick my own 529 Plan

Go Back CONTINUE



This platform creates solutions to several problems. It makes it easy for employers to offer a range of college savings plans from across the country; it provides guidance to help employees select the best options for their needs; and it makes it possible for more Americans than ever before to start using 529 plans. However, we saw an even bigger opportunity to bring the entire industry into the future.

Innovation

As we explored the employer-sponsored 529 plan landscape, something became abundantly clear, there was a serious lack of innovation within the space. Processes were antiquated and the technology available to participants was minimal. Even setting up payroll was complicated. Employees were required to fill out a form, which was then mailed to the plan. They were then sent back another form, which would then be handed to the employee's payroll department who then entered in the withholding instructions.

Not exactly an efficient process. And if any employee ever wanted to make a change, they would have to go to their payroll department with instructions. In today's world, where speed and connectivity rule, this process seemed to be the equivalent of having to see a live bank teller for cash instead of using an ATM.

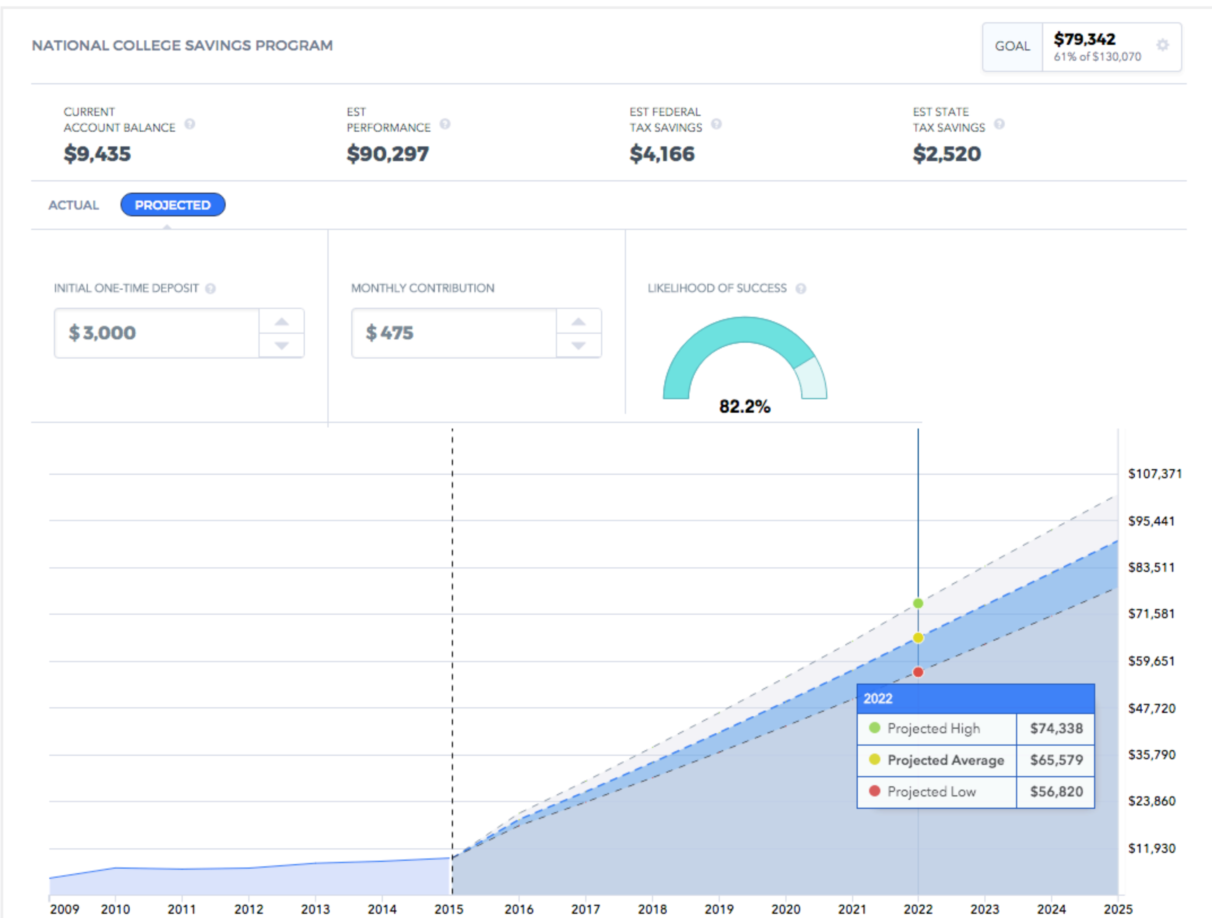
So we set out to streamline the whole process. Through a strategic partnership with Dwolla payment services, we were able to make the once convoluted process of payroll deduction completely painless.

Dwolla provided us with an efficient way to facilitate payroll deduction. Employers complete a short onboarding process to verify their information and employees simply check a box indicating they would like to contribute to their plan straight from their paycheck. Contributions can be changed, started or stopped right inside the Gradvisor platform. Its simplicity and ease-of-use have been met with rave reviews. Safe to say, at this point, employers and employees alike would have been satisfied with our product, but we still weren't.

We began to ask those who already had a 529 plan what kind of ongoing help and monitoring they were receiving. Overwhelmingly, the response went something like this: "I get a piece of paper in the mail every few months with my account balance. I have no idea how much is going to be in there by the time my kid goes to college and I don't know if I'm saving enough." It seem very counterintuitive to us right away that these people were opening up college savings plans and had no plan. We needed to give them insight into their investment.

What resulted was a state-of-the-art online dashboard that not only lets users understand how their plan has been performing, but also how it's projected to perform in various market conditions. Monte Carlo analysis lets users gauge the likelihood of success of their plan vis-à-vis their college savings goal. And in the given simulations where the plan is unsuccessful, our proprietary dashboard will let them know, on average, the amount of their shortfall.

It's built-in interactivity also allows users to manipulate given inputs to see how different scenarios affect their outcomes. They can see how changing their current contribution schedule can affect their projected savings. Those who make the wise decision to open a 529 plan will finally have the insight into their investment they deserve.



A screenshot of a sample employee dashboard

But, in this employer-sponsored 529 plan space, participants opening plans weren't the only ones dissatisfied with the status quo. Employers who had rolled out 529 plans as a benefit knew they were doing right by their employees, but they had no idea just how big of an impact the program was having because they, like their loyal workers, had no insight.

Tracking Company Impact on College Savings

Our team wanted to design something for employers that would let them know just how much a program like this could mean to their employees. We wanted to let them know how many employees were taking advantage of this benefit, how much they were contributing on average and how that translated into future college savings and more importantly, how much less in student loans their employee's children would have to eventually take on. And that is exactly what we gave them with our proprietary administrative dashboard. Powerful visuals combine with insightful data to give employers a deeper understanding of their benefit offering.

The screenshot above shows a sample administrator dashboard. The top figures show real-time participant information including how many active users and their average amount contributed per month. And the figures on the left hand side of the screen are projections calculated to allow the company to understand just how big of an impact they are making in their employees lives. Employers can get an idea of how much their employees are projected to save in federal taxes, fees from not using a financial advisor, total for college and most importantly, how much their employees' children are saving in future student debt.

We built Gradvisor with both the employer and employee in mind. We wanted to provide them both with powerful tools that make their college savings benefit a truly exceptional experience. But as we began putting it all together, it dawned on us, is this something that can truly help employers? After all, if it didn't help their businesses, it surely wouldn't get much traction. We knew that parents were waiting for help in understanding the landscape. We knew that employers did not have much choice when it came to helping their employers. But what could it do for an employer's bottom line?

College Savings and Financial Wellness

As mentioned earlier, paying for a child's college is the #1 household financial concern among parents. So we thought to ourselves, what affect does financial stress have on an employee base and what does it mean for an employer's bottom line? We discovered that not only do employees want financial wellness in the workplace (86% of employees said it was important for their employers to offer financial wellness programs), but the effect it can have is absolutely staggering.[7]

Financial wellness [in the workplace] is an initiative designed to provide employees with information on how to manage their financial resources effectively. And why exactly would a company roll out an initiative like that? Well, to put it simply, financially stressed-out workers aren't good for business. They are less productive, less engaged and thus, a drag on an employer's bottom-line.

81% of employees admit financial problems have affected their absenteeism and productivity.[8] And employers are seeing that play out. 78% of employers state employees who worry about finances are far less productive.[9] So it would seem fairly obvious that employers have a vested interest in helping their employees handle their financial concerns.

According to GALLUP, the top 3 concerns of parents are paying for college, retirement and serious medical bills respectively. So how are employers helping their employees to cope with these problems?

The chart below shows what percent of parents are concerned with those mentioned above, the solution typically offered by an employer to help their employees with it, and what percentage of employers are offering those solutions.

[7]BenefitsPro, Employees want financial wellness programs, privately, http://www.benefitspro.com/2015/10/12/employees-want-financial-wellness-programs-private
[8]http://www.moneylogic.com/uploads/documents/ML_PowerPoint_Jan_9_2012_2.pdf
[9]Id.

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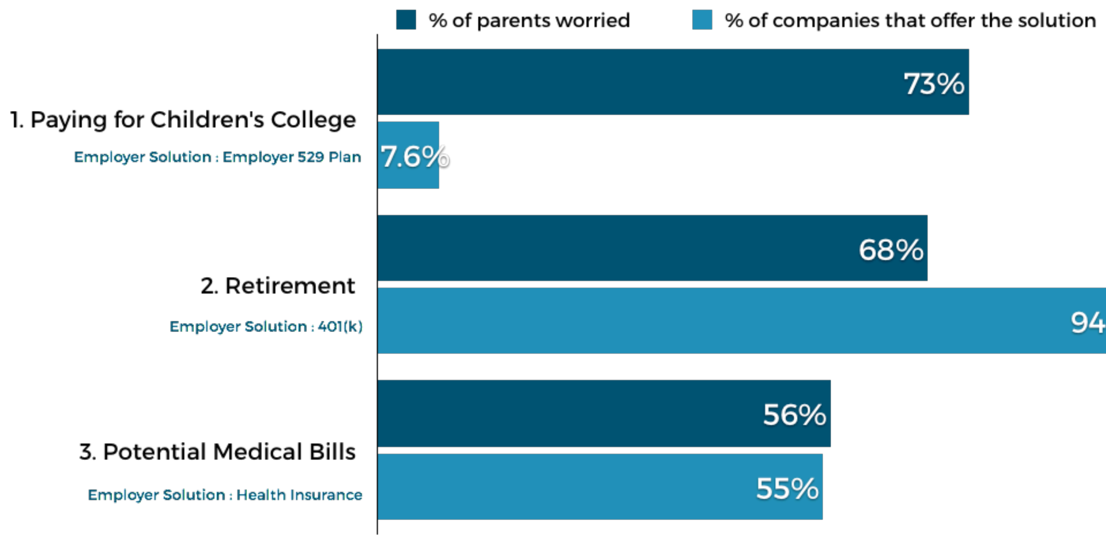

This chart shows the top 3 concerns of parents, the normal employer solution to that concern, and what percentage of employers offer said solution

> It's time to make employer-sponsored college savings plans as commonplace as 401(k) plans.

$3
in savings
for every $1 spent

$5,000
saving per year
per employee

The great disparity we saw at the top of the chart was incredibly alarming to us. Not only are employees being left to fend for themselves when it comes to their top financial concern, but employers are hemorrhaging money in the form of lost productivity and engagement.

Financial wellness initiatives are supposed to help employees take control of their financial worries, yet most programs have a huge gap in their coverage. But despite these gaps, most financial wellness programs have seen huge success, with employers reporting $3 in savings for every $1 spent.[10] Additionally, they have reported $5,000 in savings per year per employee by limiting personal financial distractions in the workplace.[11]

If these programs have this kind of incredible success without even addressing their parental employees' #1 financial concern, what kind of numbers could we see if employers began implementing a college savings solution as standard practice? We think it's time to find out.

And of course, improving our client's bottom line is of great to concern to us. But we actually think our client's have a chance to make a far greater impact than that. So great in fact, that it could change the course of American history.

On a grand scale, we have a very serious student debt problem, a $1.2 trillion dollar problem that only seems to be getting bigger. Employers have a chance to change the very course of America by deflating this student debt bubble. Combined with the Gradvisor platform, they finally have the tools they need to put up a fight against America's biggest impending financial crisis. All we need is widespread adoption.

[10] Consumer Finance Protection Bureau, Financial Wellness at Work, http://files.consumerfinance.gov/f/201408_cfpb_report_financial-wellness-at-work.pdf
[11] Emerge Benefit, Financial Wellness Landscape Analysis, https://www.emergebenefit.com/assets/librarypdfs/Workplace-Financial-Wellness-White-Paper.pdf

ABOUT

GRADVISOR

Gradvisor is an SEC registered RIA that is revolutionizing college savings with its state of the art 529 college investment digital investment platform that allows employers to include college savings plans in their benefit package. The algorithm, coupled with human advisor support, helps employees understand and maximize their college savings. The Gradvisor team has a wealth of college savings experience, with a team that spun-off from Savingforcollege.com, the 17 year leader in college savings information that provides college savings data and tools to the top leading financial institutions.

Gradvisor is headquartered in the Brickell Financial District in Miami, FL. When the team is not busy working on helping American families save for college, you can find them playing a competitive game of office foosball.