

DreamAhead College Investment Plan Program Fees Report to the Governor and the Legislature November 2023

Introduction

The DreamAhead College Investment Plan (DreamAhead) is Washington State's 529 education savings plan. The plan was established in statute ([Chapter 28B.95 RCW](#)) in 2018 to provide an additional financial option for individuals, organizations, and families to save for post-secondary education.

There are two types of 529 plans: prepaid tuition plans and education savings plans. Prepaid tuition plans, such as Washington's Guaranteed Education Tuition (GET), typically only approve enrollment for savers who reside within the plan's home state. Conversely, education savings plans are generally available to savers nationwide, regardless of the sponsoring state.

Education savings plans are sold through two channels: direct-sold and advisor-sold. Direct-sold plans are offered directly to the public without an intermediary such as an investment advisor or broker. Washington is one of 49 states, along with the District of Columbia, offering a direct-sold 529 education savings plan.

To ensure DreamAhead is competitive nationally, the Legislature set statutory limitations on investment fees charged to plan participants not to exceed one-half of one percent for any investment option on an annual basis. Additionally, state law requires the Committee on Advanced Tuition Payment and College Savings (Committee) to report annually to the Governor and the appropriate committees of the Legislature regarding the total fees charged for each investment option offered in DreamAhead.

This report provides the fees charged for each investment portfolio as of November 1, 2023.

DreamAhead Fees

DreamAhead has no commissions, loads, or sales charges. As of November 1, 2023, total annual asset-based fees vary from 0.254% to 0.320%, depending upon the portfolio(s) a participant chooses. See Table 1 below for an overview of the asset-based fees charged for each of the 37 different investment portfolios, as well as fee adjustments that have taken place within the last year.

TABLE 1: Annual DreamAhead Asset-Based Fees by Investment Portfolio

Portfolio name	Underlying fund fee ¹	Service fee	State Administrative fee	Total Annual Asset-Based Fee	Percentage point change from 11/1/22
Static					
Growth	0.034%	0.120%	0.100%	0.254%	No change
Moderate Growth	0.041%	0.120%	0.100%	0.261%	0.0025%
Conservative Growth	0.040%	0.120%	0.100%	0.260%	0.0023%
Balanced	0.040%	0.120%	0.100%	0.260%	0.0023%
Income & Growth	0.039%	0.120%	0.100%	0.259%	0.0021%
Income	0.055%	0.120%	0.100%	0.275%	0.0019%
Cash Preservation	0.100%	0.120%	0.100%	0.320%	No change
Conservative Year of Enrollment					
2040	0.041%	0.120%	0.100%	0.261%	0.0034%
2038	0.044%	0.120%	0.100%	0.264%	0.0004%
2036	0.049%	0.120%	0.100%	0.269%	0.0021%
2034	0.055%	0.120%	0.100%	0.275%	0.0021%
2032	0.062%	0.120%	0.100%	0.282%	0.0021%
2030	0.067%	0.120%	0.100%	0.287%	0.0009%
2028	0.070%	0.120%	0.100%	0.290%	0.0006%
2026	0.072%	0.120%	0.100%	0.292%	-0.0011%
2024	0.072%	0.120%	0.100%	0.292%	-0.0011%
College Enrolled ²	0.072%	0.120%	0.100%	0.292%	0.0023%
Moderate Year of Enrollment					
2040	0.039%	0.120%	0.100%	0.259%	0.0026%
2038	0.040%	0.120%	0.100%	0.260%	0.0032%
2036	0.041%	0.120%	0.100%	0.261%	0.0028%
2034	0.043%	0.120%	0.100%	0.263%	0.0033%
2032	0.046%	0.120%	0.100%	0.266%	0.0040%
2030	0.049%	0.120%	0.100%	0.269%	0.0039%
2028	0.053%	0.120%	0.100%	0.273%	0.0036%
2026	0.056%	0.120%	0.100%	0.276%	0.0032%
2024	0.058%	0.120%	0.100%	0.278%	0.0026%
College Enrolled ²	0.059%	0.120%	0.100%	0.279%	0.0019%
Growth Year of Enrollment					
2040	0.038%	0.120%	0.100%	0.258%	0.0020%
2038	0.039%	0.120%	0.100%	0.259%	0.0024%
2036	0.040%	0.120%	0.100%	0.260%	0.0027%
2034	0.040%	0.120%	0.100%	0.260%	0.0030%
2032	0.042%	0.120%	0.100%	0.262%	0.0042%
2030	0.045%	0.120%	0.100%	0.265%	0.0041%
2028	0.049%	0.120%	0.100%	0.269%	0.0041%
2026	0.053%	0.120%	0.100%	0.273%	0.0041%
2024	0.057%	0.120%	0.100%	0.277%	0.0041%
College Enrolled ²	0.059%	0.120%	0.100%	0.279%	0.0021%

¹ Total underlying fund fees for each Year of Enrollment portfolio can differ year-to-year as the portfolios adjust asset allocations over time. The underlying fund fee in this table reflects the average annual fee over a 10-year period. Accordingly, fee changes are calculated based on comparing the 10-year average annual cost on November 1, 2023 to the 10-year average annual cost on November 1, 2022. Another basis for applying this method was to ensure a balanced comparison in consideration of the impact of replacing a fund with a purchase fee with one that does not have a purchase fee (see 'Additional Notes' on page 3 for a discussion of the fund change involving the removal of a purchase fee).

² On or around July 1 of every even-numbered year, that year's portfolios will move into the College Enrolled portfolios.

Additional Notes

- Since this report was last updated in November 2022, there have been two changes to DreamAhead’s underlying funds that have resulted in an adjustment to fees to plan participants:
 - The Committee voted to replace the Vanguard Long-Term Treasury Index Fund Institutional Shares (ticker: VLGIX) with the Fidelity® Long-Term Treasury Bond Index Fund (ticker: FNBGX). The primary purpose for this fund change was to reduce underlying fund fees for this asset class. These two funds are essentially the same in all aspects, except the annual fees for the Fidelity fund are 0.03% compared to 0.05% for the Vanguard fund.
 - The Committee voted to replace the Vanguard Emerging Markets Government Bond Index Fund Institutional Shares (ticker: VGIVX) with the Vanguard Emerging Markets Bond Fund Admiral Shares (ticker: VEGBX). The primary purpose of this fund change was to shift to an active fund management approach in this asset class rather than a passive index approach, given the current geopolitical and macroeconomic environment. The change also simplified pricing by eliminating the 0.75% purchase fee applicable to the VGIVX fund (previously DreamAhead’s only underlying fund with a purchase fee). While the VEGBX fund does not carry a purchase fee, it does have higher annual fees, though the resulting impact on affected DreamAhead portfolios is relatively low.
 - The net fee change from these two fund changes varies from savings of approximately 0.0011 percentage points to an increase of 0.004 percentage points annually, when averaged over 10 years.
- DreamAhead opened in 2018 with nationally competitive fees and has since implemented multiple fee reductions for participants, including a five-dollar reduction to the annual account maintenance fee. The Committee is committed to further reducing fees, including eliminating the plan’s account maintenance fee. As part of this effort, in September 2023, the Committee voted to authorize staff to issue an RFP seeking creative and competitive proposals from the 529 vendor community with the intent to secure a new program management agreement for DreamAhead. The goal of this procurement is to ensure we are offering Washington families the best product, service, and pricing for their college savings.

- DreamAhead continues to be rated highly by [savingforcollege.com \(SFC\)](https://www.savingforcollege.com), based on their *5-Cap* rating system. The 5-Cap Ratings represent SFC’s opinion of the attractiveness of each 529 plan relative to all other 529 plans based on the following factors: investment performance, fees, features, reliability, and residency benefits. As of November 1, 2023, DreamAhead was rated 5 out of 5 caps for Washington state residents and 4 out of 5 caps for non-residents, with a “Fee Score” of 4 out of 5. A 5-cap rating represents an excellent program with many benefits for the participant and positive investment attributes. Any significant weaknesses of the program are offset by some particularly good things to recommend it.
- The Committee will provide an update to this report by December 1, 2024.