WA529
WASHINGTON COLLEGE SAVINGS PLANS

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DreamAhead College Investment Plan Program Fees Report to the Governor and the Legislature December 2020

Introduction

The DreamAhead College Investment Plan is the state's 529 college investment plan, opened in April 2018. Per the plan's enabling statute, Chapter 28B.95 RCW, DreamAhead is intended to complement the Guaranteed Education Tuition (GET) prepaid tuition program to help families save towards the full cost of college.

Washington is one of 49 states, along with the District of Columbia, that offers a direct-sold 529 college investment plan directly to the public without an intermediary such as an investment advisor or broker. Unlike prepaid tuition plans such as GET, which typically permit only savers who reside within the plan's home state, college investment plans are typically available to savers nationwide.

Accordingly, in order to ensure DreamAhead is competitive nationally, the Legislature has set statutory limitations on investment fees charged to plan participants. Specifically, RCW 28B.95.087(3) states: "beginning January 1, 2018, fees charged to the owner may not exceed one-half of one percent for any investment option on an annual basis." Additionally, the Legislature requires the WA529 Committee to report to the Governor and the appropriate committees of the Legislature regarding the total fees charged to each investment option offered by DreamAhead.

The following report provides the fees charged for each investment portfolio, as of December 1, 2020.

DreamAhead Fee Review

DreamAhead has no commissions, loads, or sales charges. As of December 1, 2020, total annual asset-based fees vary from 0.254% to 0.330%, 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 reductions that have taken place within the last year.

TABLE 1: ANNUAL DREAMAHEAD ASSET-BASED FEES BY INVESTMENT PORTFOLIO (EFFECTIVE DECEMBER 1, 2020)

Portfolio name	Underlying fund fee	Service fee	State Administrative fee	Total Annual Asset-Based Fee	Change since 12/1/19 (in bps)[3]
Static					
Growth	0.034%	0.120%	0.100%	0.254%	-0.1 bps
Moderate Growth	0.053%	0.120%	0.100%	0.273%	-0.2 bps
Conservative Growth	0.052%	0.120%	0.100%	0.272%	-0.2 bps
Balanced	0.052%	0.120%	0.100%	0.272%	-0.2 bps
Income & Growth	0.052%	0.120%	0.100%	0.272%	-0.2 bps
Income	0.070%	0.120%	0.100%	0.290%	-1.9 bps
Cash Preservation	0.110%	0.120%	0.100%	0.330%	-7.0 bps
Conservative Year of Enrollment					
2038[1]	0.052%	0.120%	0.100%	0.272%	-0.1 bps
2036	0.052%	0.120%	0.100%	0.272%	-0.2 bps
2034	0.052%	0.120%	0.100%	0.272%	-0.2 bps
2032	0.052%	0.120%	0.100%	0.272%	-0.2 bps
2030	0.052%	0.120%	0.100%	0.272%	-0.2 bps
2028	0.066%	0.120%	0.100%	0.286%	-1.5 bps
2026	0.070%	0.120%	0.100%	0.290%	-1.9 bps
2024	0.089%	0.120%	0.100%	0.309%	-3.6 bps
2022	0.089%	0.120%	0.100%	0.309%	-3.6 bps
College Enrolled[2]	0.089%	0.120%	0.100%	0.309%	-3.6 bps
Moderate Year of Enrollment					
2038[1]	0.043%	0.120%	0.100%	0.263%	-0.1 bps
2036	0.043%	0.120%	0.100%	0.263%	-0.1 bps
2034	0.053%	0.120%	0.100%	0.273%	-0.2 bps
2032	0.053%	0.120%	0.100%	0.273%	-0.2 bps
2030	0.052%	0.120%	0.100%	0.272%	-0.2 bps
2028	0.052%	0.120%	0.100%	0.272%	-0.2 bps
2026	0.055%	0.120%	0.100%	0.275%	-0.5 bps
2024	0.059%	0.120%	0.100%	0.279%	-0.8 bps
2022	0.066%	0.120%	0.100%	0.286%	-1.5 bps
College Enrolled[2]	0.074%	0.120%	0.100%	0.294%	-2.2 bps
Growth Year of Enrollment					
2038[1]	0.044%	0.120%	0.100%	0.264%	-0.1 bps
2036	0.044%	0.120%	0.100%	0.264%	-0.1 bps
2034	0.043%	0.120%	0.100%	0.263%	-0.1 bps
2032	0.043%	0.120%	0.100%	0.263%	-0.1 bps
2030	0.054%	0.120%	0.100%	0.274%	-0.2 bps
2028	0.053%	0.120%	0.100%	0.273%	-0.2 bps
2026	0.053%	0.120%	0.100%	0.273%	-0.2 bps
2024	0.052%	0.120%	0.100%	0.272%	-0.2 bps
2022	0.052%	0.120%	0.100%	0.272%	-0.2 bps
College Enrolled[2]	0.074%	0.120%	0.100%	0.294%	-2.2 bps

[1]The 2038 Year of Enrollment portfolios are new portfolios introduced on July 1, 2020.

[2]On July 1, 2020, the 2018 and 2020 Year of Enrollment portfolios moved into the new College Enrolled 'terminal' portfolios. On July 1 of every even numbered year beginning in 2022, that year's portfolios will move into the College Enrolled portfolios.

[3]One basis point is equal to 1/100th of one percent. Total underlying fund fees for each Year of Enrollment portfolio can differ year-to-year as the portfolios adjust asset allocations over time. Accordingly, fee changes are calculated based on comparing current fees charged for each portfolio as of December 1, 2020 to fees that were charged (or would have been charged) for the corresponding asset allocation as of December 1, 2019.

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Additional Notes

- On October 27, 2020, investment ratings outlet, Morningstar, released it's 2020 529 plan ratings. For the first time, Morningstar included DreamAhead in its coverage. DreamAhead received a "Bronze Medal" rating which, according to Morningstar, makes DreamAhead a "best-in-class" 529 savings plan. As part of this rating, Morningstar determined that DreamAhead's fees were "Below Average," which garnered a "Positive" rating in their "Price" pillar.
- DreamAhead continues to be rated highly by savingforcollege.com, based on their "5-cap" rating system. As of November 1, 2020, DreamAhead was rated 5 out of 5 caps for in-state residents and 4.5 out of 5 caps for out-of-state residents, with a "Fee Score" of 4.5 out of 5.
- Since this report was last updated in December 2019, DreamAhead has again been able lower asset-based fees for participants (see Table 1 above for reduction amounts). The most notable decreases occurred in the more conservative investment options, primarily due to a change in the underlying money market fund. Notable decreases include:
    - Seven basis point (7 bps) reduction to the Cash Preservation Portfolio;
    - 3.6 bps reduction to the 2024, 2022, and College Enrolled Conservative Year of Enrollment Portfolios;
    - 2.2 bps reduction to the College Enrolled Growth and College Enrolled Moderate Year of Enrollment Portfolios;
    - 1.9 bps reduction to the Static Income Portfolio and the 2026 Conservative Year of Enrollment Portfolio; and
    - 1.5 bps reduction to the 2028 Conservative and 2022 Moderate Year of Enrollment Portfolios.
- DreamAhead also charges an Annual Account Maintenance Fee of $35 to each Account. As stated in the *DreamAhead College Investment Plan: Policy Goals, Objectives, and Performance Measures Update* report to the Legislature dated January 2020, the WA529 Committee is committed to eliminating the plan's account maintenance fee as soon as possible, as plan assets grow.
- The WA529 Committee will provide an update to this report before December 1, 2021.

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