

# Ohio Considers New College Savings Plan

By Cliff Peale • cpeale@enquirer.com • October 11, 2010

The stock-market crash in late 2008 devastated many of the state's accounts, costing families more than \$1.8 billion in college savings. While they have recovered the bulk of those losses, investors now are clamoring for a plan to pay a set amount and be guaranteed a certain level of tuition, insulating them from stock-market losses.

"People tell me, 'When you bring back a pre-paid plan, I'm ready to invest,'" said Michael Prescott, executive director of the Ohio Tuition Trust Authority, which manages the state's college-savings plans with more than \$6 billion in assets.

The Guaranteed Savings Fund was closed for new investments in 2003 as officials tried to capitalize on a stock market that seemed to keep rising. Kentucky officials did the same thing, closing the Kentucky's Affordable Prepaid Tuition plan to new enrollees in 2004.

Instead, they increasingly moved to investor plans where families could put money into stocks or bonds pre-tax. Known as 529 plans, they have become increasingly popular as families try to put away money for tuition, fees and books.

But after the losses in 2008 and 2009, families again are looking for a safer alternative to the market-based plans, said Dan Bisig, operator of the College & Beyond consultancy in Covington.

"People have lived through their 529 plans getting rocked in 2008," Bisig said. "If they could put something on cruise control in a guaranteed environment, they'd do it in a heartbeat."

The problem with the prepaid plans is the financial risk if the market drops and tuition continues to increase. Since the state had guaranteed tuition payments, it would have to cover the gap.

That's one of the reasons why new investments in the plan were stopped.

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In Ohio, Prescott and Eric Fingerhut, chancellor of the Ohio Board of Regents, are trying to convince the state's public universities and community colleges to help shoulder the risk for a new plan.

As envisioned so far, Ohioans would be able to buy a College Bond for a unit, based on the most expensive public university in the state. If they bought a bond for 1 percent of tuition, they would be guaranteed 1 percent of tuition when their child goes to college, regardless of how much tuition had increased.

The investor would pay a premium of about 7 percent on the bond to help cover management costs, Prescott said.

Officials at the Ohio Board of Regents said they like the idea but are searching for a way to pay for the plan. They hope to deliver a plan to General Assembly leaders by the end of the year.

"We're really dedicated to finding a way to make it work," OBR spokesman Rob Evans said.

Investments in state-sponsored 529 plans continue to increase as families try to capitalize on the tax advantages.

Prescott said the current Ohio Guaranteed Savings Fund holds about \$600 million. Ohio operates both a direct plan called CollegeAdvantage, with about 315,000

accounts and about \$2.4 billion in assets, and an adviser-based plan, with about 375,000 accounts and \$3.3 billion in assets.

Earlier this month, it consolidated to one provider, BlackRock investment adviser, for the adviser-based plans.

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