

# FDIC-Insured Products in the 529 Marketplace

September 2023



## OVERVIEW

FDIC-insured products offer investors a conservative investment option that guarantees wealth preservation. These products can play an important role in a diversified portfolio within a long-term education savings strategy and can provide reassuring low-risk returns to risk-averse investors.

Currently, some form of a federally insured product is offered by twenty-nine 529 plans, including both Certificate of Deposit (CD) and savings account variants. Three 529 plans offer FDIC-insured CD products as well as savings accounts, and the remaining twenty-six plans offer savings accounts only.

The data used in this report is a snapshot based on Annual Percentage Yield (APY) rates in effect on June 30, 2023. Yields are variable for savings accounts and may change at any time.

Net APY rates on 529 plan savings products have generally increased since this study was last conducted in 2022 along with other market interest rates. While no savings account options yielded 4.00% in July 2022, there are now twenty-two FDIC-insured savings options yielding at least 4.00%, net of fees.

## KEY METRICS

Note: APY rates and fees displayed below are as of June 30, 2023.

- Twenty-nine 529 savings plans currently offer some form of a federally insured product.
- Yields net of fees on federally insured products vary widely:
  - Certificate of Deposit (CD) yields range from 0.50% to 5.00%, depending on duration.
  - Savings options yields range from 0.50% to 5.64%.
- Three 529 savings plans offer FDIC-insured CDs as an investment option.
  - The highest yield on CDs, 5.00%, is offered by CollegeChoice CD 529 Savings Plan, managed by College Savings Bank, a Division of NexBank. This yield applies to only the 1-year CD.
- None of the 529 plans offering CD options charge fees for participation in the respective program.
- Eleven 529 plans offer an APY net of fees of 5.00% or greater on federally insured savings accounts:
  - The Utah my529 plan offers the highest APY of 5.64% through its FDIC-Insured option.
  - Other plans with APYs greater than 5.00% include those managed by Union Bank & Trust, Columbia Management Investment Advisors, and Virginia529.
- Since this study was last published in 2022, most plans have increased yields on their federally insured products.
  - Average yields net of fees have increased by 255 basis points (bps) on savings options.
- Fees on federally insured savings options within 529 plans vary widely:
  - Five plans do not charge any fees.
  - Among plans that charge a fee, the total annual asset-based fees range from 0.07% to 0.50%.

## SCOPE

This report includes a review of currently available federally insured products within 529 education savings plans, including products that are insured by the Federal Deposit Insurance Corporation (FDIC) and National Credit Union Administration (NCUA), and a comparison of those products.

In conducting this review, Savingforcollege.com has used its existing database of 529 plan information and supplemented this with data collected from publicly available 529 plan disclosure statements and websites, in order to obtain all required data for product yields, fees and other relevant information. Every 529 plan program was reviewed to ensure that the most current and accurate data on federally insured products was utilized. In addition, this information was sent to the 529 plan program managers for verification. This data was compiled into a uniform framework in order to compare product fees and yields.

**All underlying data and figures are accurate as of June 30, 2023, unless otherwise noted.**

**All yield data is reported *net of fees*, unless otherwise noted.**

The report, *FDIC-insured products in the 529 marketplace*, was written and researched by Savingforcollege.com.

# BACKGROUND

## FDIC-insured Products

FDIC-insured products are bank products such as savings accounts and certificates of deposit (CDs) that are held inside a 529 plan portfolio of investment options or as standalone options in their own 529 product. They are structured differently depending on the plan, though the effect they aim to achieve is largely the same.

There are two types of FDIC-insured products held inside 529 savings plans: Savings Accounts and CDs. Like retail bank accounts, the savings account offers more liquidity but a reduced yield. CDs typically have a greater yield, but require a minimum holding period and charge a penalty on early withdrawals.

The majority – but not all – of 529 plans offer FDIC insurance using a bank product held in an omnibus account. This means the 529 plan holds a single account with the partner bank, and the 529 provider manages the records for who owns the pieces of the investment. FDIC insurance is offered on a pass-through basis and is in aggregate with the account owner's other holdings with that financial entity.

**What “pass-through” means:** In the case that the bank cannot meet its obligations, the account owner would need to go to the underlying bank, not the 529 plan, to provide proof of ownership and make a claim.

**What “aggregate” means:** It is the responsibility of the 529 account owner to determine how 529 account holdings with the underlying bank might be aggregated with other accounts the account owner holds at the same entity. The current FDIC insurance maximum is \$250,000 per depositor per ownership category per bank.

For example, consider an account owner with a position in the Fidelity Arizona College Savings Plan in excess of the FDIC insured limit. Fidelity holds an account with Wells Fargo as its bank partner. So, if there arose a situation where the account owner needed to make a claim against the FDIC coverage, and held additional accounts with Wells Fargo, their *total* holdings with Wells Fargo would be aggregated. The account owner would need to go to Wells Fargo with proof of ownership to make that claim. The Fidelity Arizona College Savings Plan prospectus includes the following warning with regard to the bank deposit portfolio:

Although the underlying deposits are eligible for FDIC insurance, subject to applicable federal deposit insurance limits, the Units of the Bank Deposit Portfolio are not insured or guaranteed by the FDIC or any other government agency. You are responsible for monitoring the total amount of your assets on deposit at the Bank, including amounts held directly at the Bank. All such deposits held in the same ownership capacity at the Bank are subject to aggregation and to the current FDIC insurance coverage limitation of \$250,000.

If the account owner wants additional FDIC coverage for their 529 account holdings, they would need to use another 529 plan, such as opening an account with the South Carolina Future Scholar plan, which uses BB&T for their FDIC-insured product.

## About Investors in Federally Insured Products

Federally insured products cater to risk-averse investors. There are many cash alternative and conservative investments available in the form of money markets and short-term bond options, but FDIC and NCUA insurance are only available through certain bank, savings association and federal credit union products. As a result, FDIC and NCUA insurance provides additional safety for ultra-conservative investors, investors whose loved ones are approaching college age, and investors who are concerned about bank or other failures in financial markets.

These products work best alongside other investments in a long-term savings portfolio, since their yield is typically low, and may not keep pace with the rate of consumer or – for purposes of this analysis – college inflation. Research has shown that over longer time periods, a diverse portfolio of equity and fixed income securities offers superior returns for most investors.

For shorter time horizons where protection of principal is of most concern, such as three years or less, FDIC-insured products may be more appropriate as a storehouse of value for conservative savers.

# PRODUCT LANDSCAPE

## FDIC-insured Certificates of Deposit

Three 529 plans offer FDIC-insured fixed-rate Certificates of Deposit (CDs), or another account that carries a set maturation date. These CD accounts do not charge fees and offer higher yields than savings accounts, but charge an early withdrawal penalty if the CD is redeemed before reaching maturity.

All rates below are current as of 6/30/23.

State	Plan	FDIC-Insured CD	Duration (Months)	APY (Net of fees)
CO	Smart Choice College Savings Plan	1-Year Time Account	12	0.50%
IN	CollegeChoice CD 529 Savings Plan	Fixed-Rate CD	12	5.00%
			24	4.25%
			36	4.25%
OH	CollegeAdvantage Direct 529 Savings Plan	Fifth Third 529 CD	3-5	0.50%
			6-11	4.75%
			12-23	4.50%
			24-35	1.75%
			36-47	1.50%
			48-59	1.50%
			60-83	1.50%
			84-119	1.50%
		120-144	1.50%	

## Federally Insured Savings Account Options

529 plans offering federally insured savings accounts, sorted by APY net of fees. As of June 30, 2023 (rates may vary).

State	Plan	FDIC-Insured Option Name	Annual Asset-Based Fees	APY (Net of fees)
<b>UPPER QUARTILE</b>				
UT	my529	FDIC-Insured	0.10%	5.64%
OR	Oregon College Savings Plan	FDIC-Insured Option	0.20%	5.28%
IL	Bright Start Direct-Sold College Savings Program	Bank Savings Portfolio	0.07%	5.20%
NE	Nebraska Education Savings Trust -- Direct College Savings Plan	Bank Savings	0.10%	5.17%
VA	Invest529	FDIC-Insured Portfolio	--	5.16%
IL	Bright Directions Advisor-Guided College Savings Program	Bank Savings Portfolio	0.14%	5.13%
ME	NextGen College Investing Plan – Client Direct	NextGen Savings Portfolio	--	5.12%
ME	NextGen College Investing Plan – Client Select	NextGen Savings Portfolio	--	5.12%
<b>SECOND QUARTILE</b>				
AL	CollegeCounts 529 Fund Direct Plan	Bank Savings Portfolio	0.17%	5.10%
NE	Nebraska Education Savings Trust – Advisor College Savings Plan	Bank Savings Static	0.17%	5.10%
NE	State Farm 529 Savings Plan	Bank Savings	0.17%	5.10%
SC	Future Scholar 529 College Savings Plan – Direct	Future Scholar Bank Deposit Portfolio	--	5.08%
SC	Future Scholar 529 College Savings Plan - Advisor	Columbia Bank Deposit 529 Portfolio	--	5.08%
AL	CollegeCounts 529 Fund Advisor Plan	Bank Savings Portfolio	0.21%	5.06%
IN	CollegeChoice CD 529 Savings Plan	Honors Savings Account	--	4.75%
<b>THIRD QUARTILE</b>				
IN	CollegeChoice 529 Direct Savings Plan	Savings Portfolio	0.14%	4.49%
KY	KY Saves 529	Capital Preservation Option	0.20%	4.40%
AZ	Fidelity Arizona College Savings Plan	AZ Bank Deposit Portfolio	0.50%	4.23%
CT	Connecticut Higher Education Trust (CHET)	CT Bank Deposit Portfolio	0.50%	4.23%
DE	Delaware College Investing Plan	DE Bank Deposit Portfolio	0.50%	4.23%
MA	U.Fund College Investing Plan	MA Bank Deposit Portfolio	0.50%	4.23%
NH	UNIQUE College Investing Plan	NH Bank Deposit Portfolio	0.50%	4.23%
<b>FOURTH QUARTILE</b>				
ID	Idaho College Savings Program (IDeal)	Savings Portfolio	0.34%	3.82%
AR	Brighter Future Advisor 529 Plan	Savings Portfolio	0.35%	3.80%
AR	Brighter Future Direct 529 Plan	Savings Portfolio	0.39%	3.72%
IN	CollegeChoice Advisor 529 Savings Plan	Savings Portfolio	0.31%	2.38%
NC	NC 529 Plan	Federally Insured Deposit Account	0.25%	1.77%
CO	Smart Choice College Savings Plan	Money Market Savings Account	--	0.50%
OH	Ohio's 529 Plan, CollegeAdvantage	Fifth Third 529 Savings Account	--	0.15%-0.50%

Data as of 6/30/23



529 plans with federally insured savings account options, sorted by state

State	Plan	FDIC-Insured Option Name	Annual Asset-Based Fees	APY (Net of fees)
AL	CollegeCounts 529 Fund Direct Plan	Bank Savings Portfolio	0.17%	5.10%
AL	CollegeCounts 529 Fund Advisor Plan	Bank Savings Portfolio	0.21%	5.06%
AZ	Fidelity Arizona College Savings Plan	AZ Bank Deposit Portfolio	0.50%	4.23%
AR	Brighter Future 529 Advisor Plan	Savings Portfolio	0.35%	3.80%
AR	Brighter Future Direct 529	Savings Portfolio	0.39%	3.72%
CO	Smart Choice College Savings Plan	Money Market Savings Account	--	0.50%
CT	Connecticut Higher Education Trust (CHET)	CT Bank Deposit Portfolio	0.50%	4.23%
DE	Delaware College Investment Plan	DE Bank Deposit Portfolio	0.50%	4.23%
ID	Idaho College Savings Program (IDeal)	Savings Portfolio	0.34%	3.82%
IL	Bright Start Direct-Sold College Savings Program	Bank Savings Portfolio	0.07%	5.20%
IL	Bright Directions Advisor-Guided College Savings Program	Bank Savings Portfolio	0.14%	5.13%
IN	CollegeChoice CD 529 Savings Plan	CollegeSure® Honors Savings Account	--	4.75%
IN	CollegeChoice 529 Direct Savings Plan	Savings Portfolio	0.14%	4.49%
IN	CollegeChoice Advisor 529 Savings Plan	Savings Portfolio	0.31%	2.38%
KY	KY Saves 529	Capital Preservation Option	0.20%	4.40%
MA	U.Fund College Investing Plan	MA Bank Deposit Portfolio	0.49%	4.36%
ME	NextGen College Investing Plan – Client Direct	NextGen Savings Portfolio	--	5.12%
ME	NextGen College Investing Plan – Client Select	NextGen Savings Portfolio	--	5.12%
NC	NC 529 Plan	Federally Insured Deposit Account	0.10%	5.17%
NE	Nebraska Education Savings Trust -- Direct College Savings Plan	Bank Savings	0.17%	5.10%
NE	Nebraska Education Savings Trust -- Advisor College Savings Plan	Bank Savings Static	0.17%	5.10%
NE	State Farm 529 Savings Plan	Bank Savings	0.50%	4.23%
NH	UNIQUE College Investing Plan	NH Bank Deposit Portfolio	0.25%	1.77%
OH	CollegeAdvantage Direct 529 Savings Plan	Fifth Third 529 Savings Account	--	0.50%
OR	Oregon College Savings Plan	FDIC-Insured Option	0.20%	5.28%
SC	Future Scholar 529 College Savings Plan – Advisor	Columbia Bank Deposit 529 Portfolio	--	5.08%
SC	Future Scholar 529 Savings Plan – Direct	Future Scholar Bank Deposit	--	5.08%
UT	my529	FDIC-Insured Option	0.10%	5.64%
VA	Invest529	FDIC-Insured Portfolio	--	5.16%

Data as of 6/30/23

529 plans with federally insured savings account options, sorted by program manager

State	Plan	FDIC-Insured Option Name	Program Manager
AR	Brighter Future Direct 529	Savings Portfolio	Ascensus Government Savings
AR	Brighter Future 529 Advisor Plan	Savings Portfolio	
ID	Idaho College Savings Program	Savings Portfolio	
IN	CollegeChoice Advisor 529 Savings	Savings Portfolio	
IN	CollegeChoice 529 Direct Savings	Savings Portfolio	
KY	KY Saves 529	Capital Preservation Option	
NC	NC 529 Plan	Federally Insured Deposit Account	College Foundation, Inc.
IN	CollegeChoice CD 529 Savings Plan	Savings Account	College Savings Bank, a Division of NexBank
SC	Future Scholar 529 College Savings Plan - Advisor	Columbia Bank Deposit 529 Portfolio	Columbia Management Investment Advisors LLC
SC	Future Scholar 529 College Savings Plan - Direct	Columbia Bank Deposit 529 Portfolio	
AZ	Fidelity Arizona College Savings Plan Connecticut Higher Education Trust (CHET)	AZ Bank Deposit Portfolio	Fidelity Investments
CT	Delaware College Investment Plan	CT Bank Deposit Portfolio	
DE	U.Fund College Investing Plan	DE Bank Deposit Portfolio	
MA	UNIQUE College Investing Plan	MA Bank Deposit Portfolio	
NH		NH Bank Deposit Portfolio	
CO	Smart Choice College Savings Plan	Money Market Savings Account	FirstBank Holding Company
ME	NextGen College Investing Plan – Client Direct	NextGen Savings Portfolio	Merrill Lynch, Pierce, Fenner & Smith Incorporated
ME	NextGen College investing Plan – Client Select	NextGen Savings Portfolio	
OH	CollegeAdvantage Direct 529 Savings Plan	Fifth Third 529 Savings Account	Ohio Tuition Trust Authority
OR	Oregon College Savings Plan	FDIC-Insured Option	Sunday Administration, LLC
AL	CollegeCounts 529 Fund Direct Plan	Bank Savings Portfolio	Union Bank & Trust
AL	CollegeCounts 529 Fund Advisor Plan	Bank Savings Portfolio	
IL	Bright Start Direct-Sold College Savings Program	Bank Savings Portfolio	
IL	Bright Directions Advisor-Guided College Savings Program	Bank Savings Portfolio	
NE	State Farm College Savings Plan	Bank Savings Static	
NE	Nebraska Education Savings Trust - Advisor	Bank Savings Static	
NE	Nebraska Education Savings Trust - Direct	Bank Savings	
UT	my529	FDIC-Insured Option	Utah Higher Education Assistance Authority
VA	Invest 529	FDIC-Insured Option	Virginia College Savings Plan

Data as of 6/30/23