

DreamAhead College Investment Plan Program Fees Report to the Governor and the Legislature November 2019

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 September 24, 2019 – the most recent publication date of the DreamAhead Program Details Booklet.

DreamAhead Fee Review

DreamAhead has no commissions, loads, or sales charges. As of September 24, 2019, total annual asset-based fees vary from 0.255% to 0.400%, depending upon the Portfolio(s) a participant chooses. See Table 1 below for an overview of the fees charged for each of the 37 different investment portfolios.

TABLE 1: ANNUAL DREAMAHEAD ASSET-BASED FEES BY INVESTMENT PORTFOLIO

Portfolio name	Underlying fund fee	Service fee	State Administrative fee	Total Annual Asset-Based Fee
Static				
Cash Preservation	0.180%	0.12%	0.10%	0.400%
Income	0.089%	0.12%	0.10%	0.309%
Income & Growth	0.054%	0.12%	0.10%	0.274%
Balanced	0.054%	0.12%	0.10%	0.274%
Conservative Growth	0.054%	0.12%	0.10%	0.274%
Moderate Growth	0.055%	0.12%	0.10%	0.275%
Growth	0.035%	0.12%	0.10%	0.255%
Conservative Year of Enrollment				
2018	0.054%	0.12%	0.10%	0.274%
2020	0.054%	0.12%	0.10%	0.274%
2022	0.054%	0.12%	0.10%	0.274%
2024	0.054%	0.12%	0.10%	0.274%
2026	0.067%	0.12%	0.10%	0.287%
2028	0.081%	0.12%	0.10%	0.301%
2030	0.089%	0.12%	0.0%	0.309%
2032	0.126%	0.12%	0.10%	0.346%
2034	0.126%	0.12%	0.10%	0.346%
2036	0.126%	0.12%	0.10%	0.346%
Moderate Year of Enrollment				
2018	0.045%	0.12%	0.10%	0.265%
2020	0.045%	0.12%	0.10%	0.265%
2022	0.055%	0.12%	0.10%	0.275%
2024	0.055%	0.12%	0.10%	0.275%
2026	0.054%	0.12%	0.10%	0.274%
2028	0.054%	0.12%	0.10%	0.274%
2030	0.060%	0.12%	0.10%	0.280%
2032	0.067%	0.12%	0.10%	0.287%
2034	0.082%	0.12%	0.10%	0.302%
2036	0.096%	0.12%	0.10%	0.316%
Growth Year of Enrollment				
2018	0.045%	0.12%	0.10%	0.265%
2020	0.045%	0.12%	0.10%	0.265%
2022	0.045%	0.12%	0.10%	0.265%
2024	0.045%	0.12%	0.10%	0.265%
2026	0.055%	0.12%	0.10%	0.275%
2028	0.055%	0.12%	0.10%	0.275%
2030	0.054%	0.12%	0.10%	0.274%
2032	0.054%	0.12%	0.10%	0.274%
2034	0.053%	0.12%	0.10%	0.273%
2036	0.096%	0.12%	0.10%	0.316%

Additional Notes

- Due to the quick growth of DreamAhead generated by the incentivized GET rollover activity via Senate Bill 6087 (2018 Legislative Session), DreamAhead's investment manager has been able to secure share class upgrades for the underlying Vanguard and Fidelity mutual funds. This allowed the program to pass on costs savings of one to two basis points per investment portfolio, compared to the fees charged upon plan opening.
- As of September 30, 2019, DreamAhead was ranked sixteenth for lowest average asset-based fees out of 51 direct-sold 529 plans nationwide. This ranking does not account for the recent fee reductions. The fee reductions could cause DreamAhead to move up three to four positions in future rankings.
- DreamAhead also charges an annual Account Maintenance Fee of \$35 to each account. The Committee intends to negotiate the reduction or removal of this fee once total DreamAhead plan assets exceed \$1 billion.
- The WA529 Committee will provide an update to this report before December 1, 2020.