

FundPOINT® 529 Data



A single-source data solution to manage multi-layered 529 savings plan information

History shows that saving for college is an uphill battle. Tuition and fees at four-year colleges and universities increased more than 40% from 1993 to 2003. According to the College Board, annual costs for tuition and fees at four-year private nonprofit institutions averaged \$21,235 in 2005 – a 5.9% increase over 2004.

The combination of “college inflation” and recent pension reform legislation has increased the popularity of 529 savings plans. The Pension Protection Act of 2006, which President Bush signed into law in August, made withdrawals from 529 plans permanently tax-free when used for qualified purposes (e.g., tuition, fees, and room and board). As a result of this favorable tax treatment (and myriad other benefits), more and more advisors are building 529 college savings plans into their financial planning recommendations.

The Compliance Challenge: New Rules and Multi-Layered 529 Plan Data

With this recent revival of 529 savings plans, competition has intensified as 529 plan providers scramble to add new product features, lower their fees, and upgrade investor benefits. The regulatory environment has also changed as the Municipal Securities Rulemaking Board (MSRB) has adopted rules and regulations for 529 plans that are comparable to NASD practices pertaining to sales of mutual funds (see inset box on back).

But for financial intermediaries, 529 savings plans pose a more daunting compliance dilemma than mutual funds. With multiple parties involved in the investment process – such as the states, investors, program managers, investment managers, and broker-dealer firms – 529 college savings plan information is a complicated amalgam of three levels of data:

- **Plan level** – data captured from plan disclosure documents;
- **Portfolio (investment option) level** – data captured from multiple sources such as plan disclosure documents, plan websites, S&P CUSIP database, and direct contact with 529 plans; and
- **Underlying mutual fund level** – data captured from underlying fund SEC filings on EDGAR

The simple fact of the matter is that 529 plan data is much more decentralized than mutual fund data. Which begs the question: How can 529 plan advisors meet growing investor demand for 529 plan solutions and the stringent compliance requirements of industry regulators?

Solution: NewRiver’s FundPOINT® 529 Data

For financial institutions facing various challenges presented by the task of managing complex 529 plan information, NewRiver’s FundPoint 529 Data product can become an essential foundation to access accurate information from multiple sources.

Specifically, FundPOINT 529 Data can be used to:

- Provide important disclosures to customers;
- Perform 529 transaction edits and supervision;
- Provide background information for completion of 529 applications;
- Calculate fees and commissions; and
- Verify breakpoints and state tax advantages.

Backed by NewRiver’s process technology for sourcing 529 plan data from multiple sources, FundPOINT 529 Data offers a streamlined, centralized approach to accessing 56 data points for 529 plans – improving operational efficiency, accuracy, and compliance adherence.

FundPOINT 529 Data Categories	Data Points
General Plan Information	15
State Information	4
Sales Loads	5
Contributions and Minimums	5
Fees	7
Investment Options	8
Plan Returns	5
Conversion	2
Portfolio Information	5
Total	56

FundPOINT 529 Data supports all savings-type 529 college plans – both advisor-sold and direct-sold – totalling more than 110 state plans with over 4,500 investment options.



Partners in Electronic Compliance and Intelligent Document Fulfillment

Who is FundPOINT 529 Data for?

- **Broker/Dealers** – helps meet MSRB disclosure requirements, fulfill obligations to offer correct breakpoints to customers, and perform trade monitoring and verification
- **Financial Advisors** – helps advisors provide accurate information to investors regarding sales loads, fee calculations, and overall 529 plan suitability
- **Program Managers/Investment Managers** – helps operations staff with trade edits, transaction processing, and supervisory filters
- **Service Providers** – provides accurate plan information so financial intermediaries, recordkeepers, and trust organizations can help their clients perform 529 investment trading, audit transactions, correctly process trades, and calculate fees and commissions

Benefits to Your Firm

- **Increase Overall Data Coverage** – FundPOINT 529 Data can be used as a standalone package or in combination with mutual fund data to ensure regulatory consistency.
- **Improve Operational Efficiency** – FundPOINT 529 Data reduces the time and resources spent finding multiple sources of 529 plan data and obtaining information from them.
- **Ensure Appropriate Trading** – FundPOINT 529 Data includes fees and expenses, contribution minimums, state tax rules, and investment portfolio options.
- **Reduce Regulatory Risk** – Data provided by NewRiver will help you handle the increased emphasis and rigor with respect to 529 plan regulations and disclosure obligations to customers.

New Regulatory Requirements for 529 Plans

The most recent rule affecting 529 plans is MSRB NOTICE 2006-23 (AUGUST 7, 2006) "Interpretation on Customer Protection Obligations Relating to the Marketing of 529 College Savings Plans." It emphasizes three very important issues:

- 1. Tax Benefits Disclosure** – The new rules call for broker/dealers to disclose the favorable state tax treatment or other benefits offered by the home state (e.g., "in-state") for investing in 529 plans and the tax consequences of buying out-of-state 529 plans.
- 2. Suitability** – The guidance requires broker/dealers to have an approval or oversight process in place to ensure suitability. It also calls for procedures to be put in place that require reps to analyze suitability between in-state and out-of-state programs.
- 3. Basic Customer Protection Obligation** – The new rule encompasses basic principles similar to the standards set by the Securities and Exchange Commission (SEC) and NASD for sales of mutual funds.

Coverage

NewRiver's 529 Plan Data supports all types of 529 college savings plans – more than 110 state plans with over 4,500 investment options. Information on underlying mutual fund investment instruments is also provided. Comprehensive 529 data includes 56 individual data points covering nine categories, including general plan information, state information, sales loads, contributions and minimums, fees, and investment options.

Features

- **Updated Daily** – daily collection of data across all 529 savings plans
- **100% Coverage** – 529 college savings plans from all states and issuers are covered
- **Depth of Data** – the industry's most extensive data coverage for 529 plan general data, fees and expenses, tax benefits, and investment options
- **Painless Processing** – reduces resources spent gathering 529 information and makes complex, multi-layered information easy to process
- **Easy and Efficient Implementation** – testing and implementation process has been worked out with multiple clients for a full range of NewRiver data products to ensure well-organized and economical delivery
- **Simplify Compliance, Maximize Sales** – effectively researches multiple available sources of information and locates key 529 plan data points so you can focus your efforts on sales rather than on compliance

About NewRiver, Inc.

NewRiver, Inc. is the global leader for electronic compliance and intelligent document services for the financial brokerage and retirement industries. NewRiver's solutions enable brokerages, retirement plan providers, variable annuity providers, and retirement plan recordkeepers to dramatically decrease operational expense, to strengthen customer and business partner relationships, and to improve the productivity of their employees. NewRiver currently serves more than 100 top financial companies, including Allianz/USAllianz Securities; Coates Analytics; E*Trade Securities; First Allied Securities; Lincoln Financial Group; MFS Investment Management; Morgan Stanley; Park Avenue Securities, an indirect Wholly-Owned Subsidiary of The Guardian Life Insurance Company of America; Prudential Financial; Southwest Securities; True North Financial Services; UBS PaineWebber, and Wachovia Securities. NewRiver is headquartered in Andover, Massachusetts.

For more information, please visit www.newriver.com