

**MEMO# 22847**

September 4, 2008

## **Institute Releases Ad Hoc Survey of Coverdell ESAs As of December 31, 2007**

[22847]

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TO: PENSION COMMITTEE No. 26-08

PENSION OPERATIONS ADVISORY COMMITTEE No. 26-08

RESEARCH COMMITTEE No. 8-08

529 PLAN ADVISORY COMMITTEE No. 5-08 RE: INSTITUTE RELEASES AD HOC SURVEY OF COVERDELL ESAS AS OF DECEMBER 31, 2007

The Institute recently surveyed certain of its members in a continuing effort to track developments in the education savings market. Although 93 percent of households saving for college do so through taxable investments, 20 percent of households saving for college use education-targeted savings programs. [\[1\]](#), [\[2\]](#) At year-end 2007, Coverdell Education Savings Accounts (ESAs) held \$6 billion in mutual fund assets [\[3\]](#) and 529 savings plans held \$112.5 billion in assets (the bulk of which was invested in mutual funds). [\[4\]](#)

The Institute's most recent survey requested Coverdell ESA [\[5\]](#) data on the number of beneficiaries, average number of funds held per beneficiary, and value of their mutual fund assets as of December 31, 2007. This ad hoc survey was conducted in response to ongoing interest in the education savings market.

Survey respondents indicate that between June 30, 2007 and December 31, 2007, the number of beneficiaries with Coverdell ESAs edged down slightly. [\[6\]](#) Survey respondents managed assets for more than 750,000 ESA beneficiaries at the end of December 2007. As of the end of December 2007, the average ESA beneficiary held a total of \$4,200 in mutual

fund assets in 1.6 funds.



These ad hoc survey results are based on the responses of 20 firms, representing an estimated 53 percent of the \$6 billion of Coverdell ESA assets invested in mutual funds at year-end 2007. Note that the survey respondents are not randomly selected and therefore do not necessarily reflect the characteristics of the typical Coverdell ESA invested in mutual funds.

If you have any questions or comments concerning the survey, please call me at (202) 326-5915.

Sarah Holden  
Senior Director, Retirement & Investor Research

#### **endnotes**

[1] Education-targeted savings programs include state-sponsored 529 prepaid tuition plans, state-sponsored 529 savings plans, and Coverdell ESAs.

[2] See Figure 5 in “Profile of Households Saving for College,” which presents results from a 2003 ICI household survey on college saving activity among U.S. households with children age 18 and younger (available at: [www.ici.org/stats/res/rpt\\_03\\_college\\_saving.pdf](http://www.ici.org/stats/res/rpt_03_college_saving.pdf)).

[3] See Figure A10 in “Appendix: Additional Data on the U.S. Retirement Market, 2007,” ICI Fundamentals, Vol. 17, No. 3A, July 2008 (available at: [www.ici.org/stats/res/fm-v17n3\\_appendix.pdf](http://www.ici.org/stats/res/fm-v17n3_appendix.pdf)).

[4] See Figure 7.18 in ICI’s 2008 Investment Company Fact Book (available at: [www.icifactbook.org/](http://www.icifactbook.org/)).

[5] In July 2001, Education IRAs were renamed Coverdell ESAs. In addition, as allowed by the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), the annual contribution limit to these accounts is \$2,000 for tax-years 2002 through 2010 (up from \$500 prior to 2002).

[6] Growth in the number of Coverdell ESA beneficiaries may have been higher than reflected in the reported statistics. A few reporters indicated efforts to close very small or inactive accounts in their systems during the past two years. In addition, however, some reporters noted migration to 529 plans.

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