



Education Trust Board

INVESTMENTS AND PENSIONS OVERSIGHT COMMITTEE

September 9, 2013

Dr. José Z. Garcia, Chairman
Robert J. Desiderio, Vice-Chair
Robbie Heyman
Trevor Serrao

Kevin Deiters, Executive Director

ETB: About the Board



- The Education Trust Board is the governing body for New Mexico's 529 college savings programs. (\$2 billion)
- The ETB is administratively attached to the New Mexico Higher Education Department.
- The ETB is responsible for making rules and regulations for the development and implementation of the Education Trust Act.
- The ETB does not receive any general funds and is funded entirely from fees and dividend revenues.

ETB College Savings Plans



The Education Plan

- Direct Sold Plan
- No Load Funds
- 21,000 Accounts
- \$399.7 million
- Age-Based and Static Portfolios

Scholar's Edge

- Advisor Sold Plan
- 140,000 Accounts
- \$1.7 billion
- Age-Based, Custom Choice and Static Portfolios

Recent Board Action



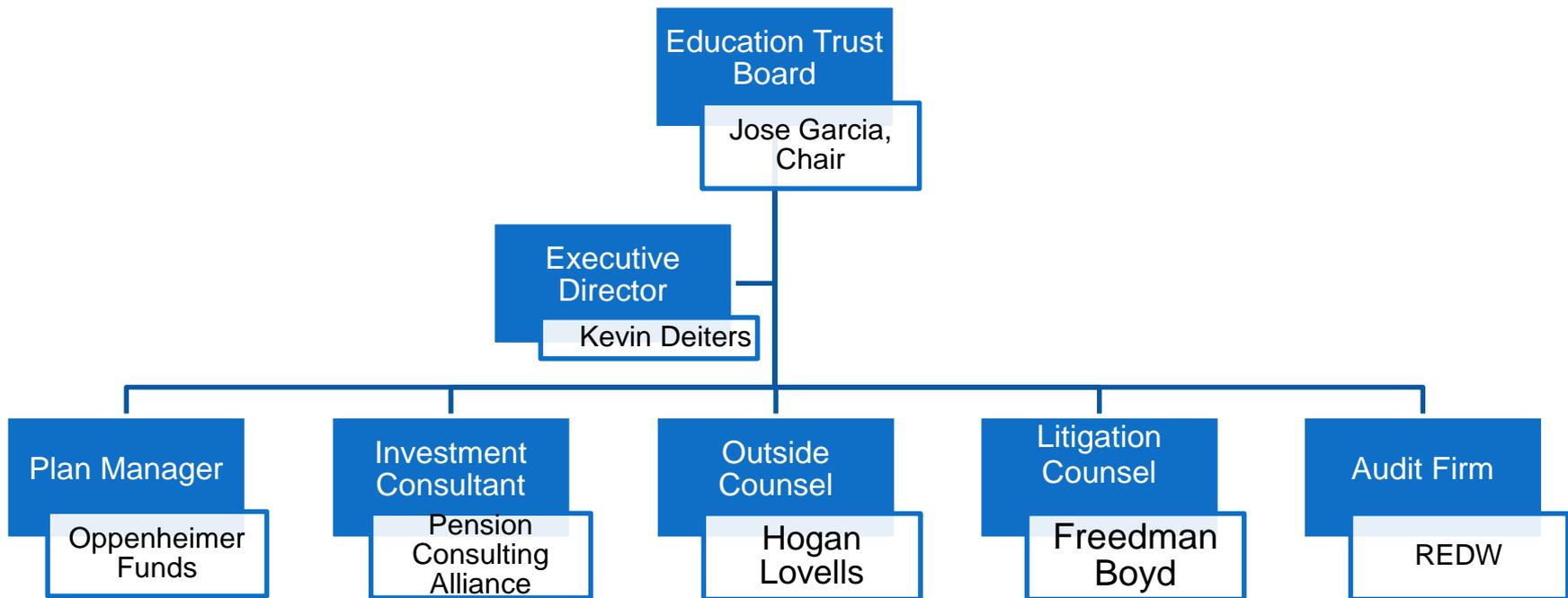
- ETB took several steps during FY 2013 to improve investment performance.
- Adopted a revised investment policy and monitoring guidelines to implement new procedures for selecting investments and monitoring investment performance.
- ETB completed a comprehensive review of its investment portfolios and made changes to its investment options with the intent of reducing interest rate risk, increasing diversification, and reducing manager risk.
- As a result of these changes, the NM portfolios have better risk-adjusted performance than median peers.

Recent Board Action



- ETB voted to refund state administrative fees to New Mexico residents (savings of \$230,000 in 2013)
- ETB voted to convert to lower cost institutional shares to reduce investment fees
- ETB voted to review its scholarship program to identify changes needed to promote college savings, college access, and higher graduation rates

Educational Trust Board Organizational Chart



ETB Support for Higher Education



- As the governing body for New Mexico's 529 college savings programs, the ETB plays a critical role in higher education in the state.
- The ETB is committed to its partnership with NMHED and it actively supports the efforts of NMHED to increase the number of students that attend and succeed in higher education.

ETB Pathways Scholarship



- ETB provides \$500,000 each year for Pathways Scholarship.
- Over 2,400 students have attended higher education with scholarships from the ETB.
- The Pathway Scholarship is available to first-time freshman who have graduated from a New Mexico high school with a minimum 3.25 grade point average and demonstrate financial need.

Confronting the College Debt Trap



- Research suggests that students with savings accounts may be up to seven times more likely to attend college.
- College savings can help address the rapidly increasing cost of higher education, which is a major barrier to college access and completion for low- and moderate-income students.
- At the same time, average student debt loads have reached record levels, particularly for lower-income students.

Confronting the College Debt Trap

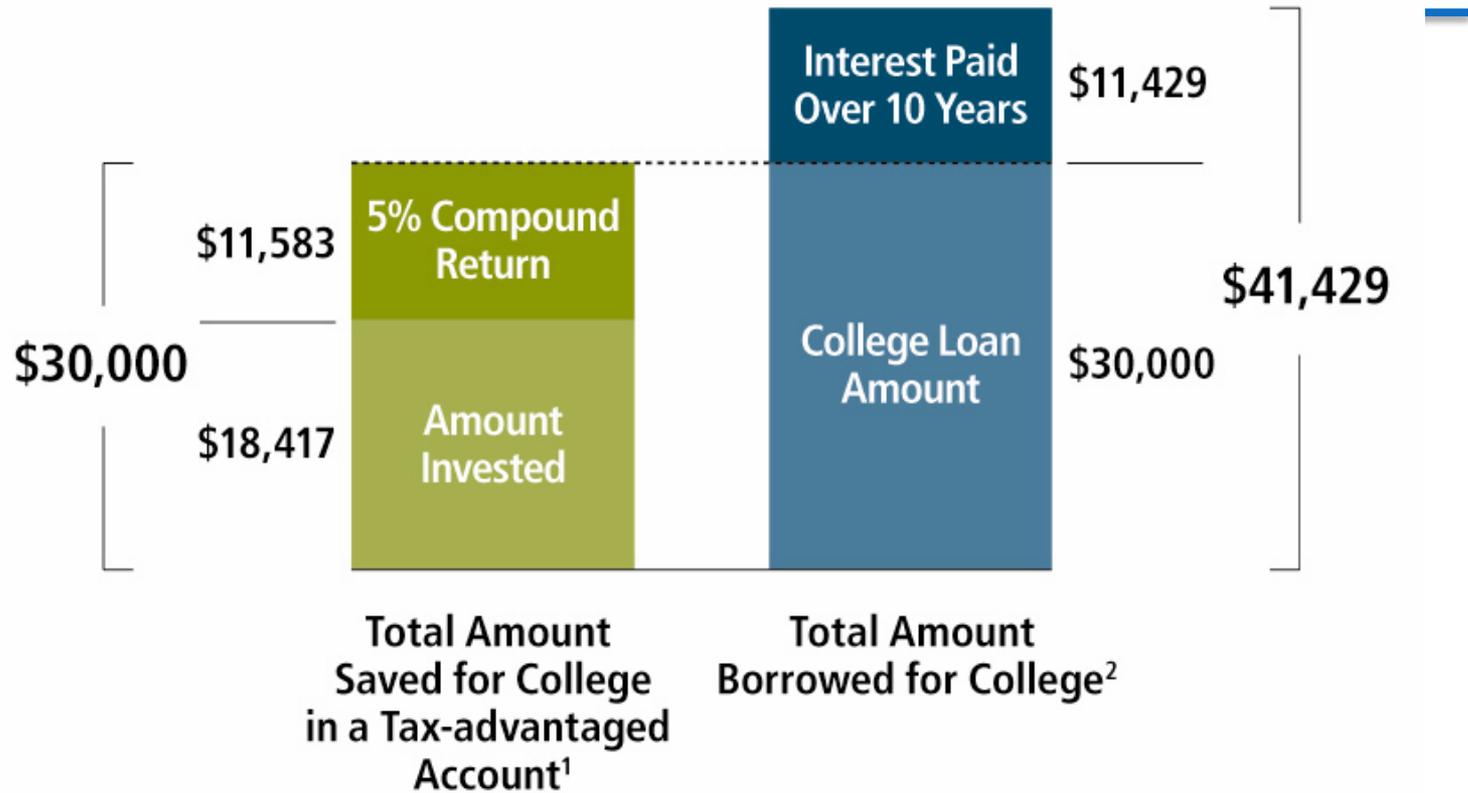


Fact: Students in New Mexico borrowed \$6.30 for every dollar awarded by Legislative Lottery Scholarship in 2012.

Question: How much will they borrow in 2020?

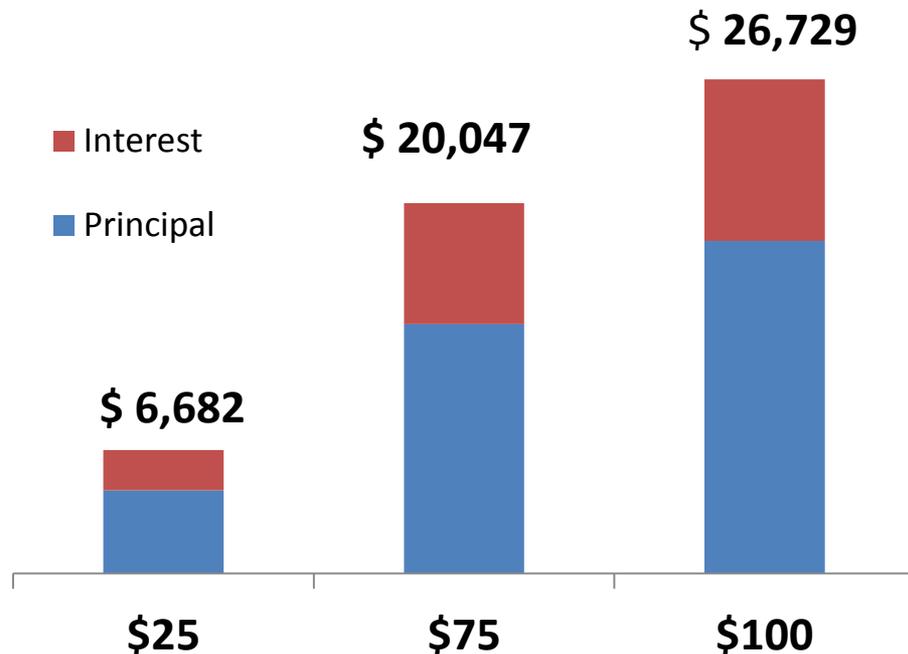


Confronting the College Debt Trap



1. This example assumes a \$30,000 adjusted loan balance at 6.8% fixed interest over a 10-year term. Total interest paid will be \$11,428.97. The hypothetical example shown is for illustrative purposes only and does not represent the performance of any specific investment. Actual results may vary.
 2. This example assumes an initial investment of \$18,417 with a 5% annual rate of return compounded annually over a 10-year period. The hypothetical example shown is for illustrative purposes only and does not represent the performance of any specific investment and does not reflect any plan fees or sales charges that may apply. If such fees or sales charges were taken into account, returns would have been lower. Actual results may vary. Automatic/periodic investment plans do not guarantee a profit and do not protect against a loss in a declining market.

How much can I save?



Assumes a 5% annual return.

Even Small Amounts Add-Up

It is important that you start early and continue to contribute. A family making monthly contributions over 15 years can accumulate a college savings fund and reduce the amount borrowed when the child is in college.

It is more than just the empty calories....



\$6,682

Bring your lunch just one day per week over 15 years.

Buy one fewer quarter-pounder meal per week (\$6.16) at 5% return and you can save \$6,682 for college.

College Savings: 529 Plan Basics



- A 529 Plan is an education savings plan operated by a state or educational institution designed to help families set aside funds for future college costs.
- Federal tax benefits: 529 accounts grow tax-free, so you pay no federal tax on your earnings.
- Withdrawals: Withdrawals for qualified higher education expenses are distributed federal tax free.

College Savings: State Tax Benefits



- State Tax benefits: All earnings of a New Mexico Account Owner or Designated Beneficiary are exempt from New Mexico individual income taxes, subject to exemptions.
- Contributions by a New Mexico tax payer may be deducted from net income for New Mexico individual income tax purposes.

Qualified Educational Expenses



- Tuition and fees.
- Books, supplies, and equipment.
- Computer technology, equipment, or Internet access.
- Expenses for special needs services.
- Room and board.

Need more information?



www.theeducationplan.com
(877-337-5268)

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