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DENISE L. NAPIER

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REVAMPED HIGHER EDUCATION SAVINGS PROGRAM SETS RECORD FOR NEW ACCOUNTS

RESPONSE STRONG TO LOWER FEES, IMPROVED INVESTMENT MANAGEMENT

In the month following a series of sweeping changes designed to make the state's higher education savings program more accessible to Connecticut families, a record number of new accounts have been opened, State Treasurer Denise L. Nappier reported today.

During the month of April, a record 471 new accounts were opened in the Connecticut Higher Education Trust (CHET), more than in any month since the CHET program began in January, 1998. An additional 312 new accounts were opened in May. The two-month total of 783 new accounts is the program's second-highest two-month total, and the highest in almost two years.

The revamped college savings program began accepting new accounts on March 13 following a three-month hiatus. Key changes that were implemented include bringing in a new investment manager, cutting management fees in half, slashing the minimum necessary to open an account from \$500 to \$25, and completely eliminating the annual administrative fee. Between mid-March and the end of May, a total of 879 new accounts were opened.

"Our goal from day one was to offer Connecticut families a premier investment program for higher education," Nappier said. "I'm very pleased that Connecticut families are finding the CHET program now meets their need to begin saving money for higher education."

CHET was originally authorized by the Connecticut General Assembly in 1997 to offer investors a tax-advantaged way to save and invest for college education. Connecticut residents pay no federal taxes on the earnings on their CHET account until they withdraw money for higher education expenses. The earnings are then federally taxed at the student's rate, which is generally much lower than the rate of the individual that opened the account. Earnings are exempt from Connecticut state income tax.

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Anyone – a parent, grandparent, relative or friend – can open a CHET account for a beneficiary (eventual student). The funds can be used at schools anywhere in the United States, and nearly all colleges and many other types of schools are eligible. The minimum contribution to establish an account is now \$25, and contributions can also be made by payroll deduction for as little as \$15.

“This is a CHET program that every resident of Connecticut can be proud of and participate in,” Nappier said. The Treasurer noted that an independent analysis of state college savings programs utilized by *USA Today* now ranks CHET as one of the top seven state-sponsored college savings programs in the country, a marked improvement from the old program.

The new investment manager and administrator for the CHET program is TIAA-CREF Tuition Financing Inc. (TFI). The company is a subsidiary of TIAA-CREF (Teachers Insurance and Annuity Association – College Retirement Equities Fund), one of the nation's leading non-profit financial services organizations, with over 80 years of experience in long-term investing. The premier pension system for people employed in education and research in the United States, TIAA-CREF is a well-respected Wall Street investor, currently managing over \$290 billion in assets.

“Overall, the fees charged to account owners by the CHET program have been cut by more than half, moving from among the highest in the country to among the lowest,” Nappier said. “We have transformed CHET into a higher education savings plan that is affordable for all income levels.”

CHET closed May with a total of 7,458 accounts and total assets of \$53,107,000.

Contributions to CHET are allocated by TIAA-CREF among a mix of its institutional stock, bond and money market mutual funds. Specific percentage allocations are based on the age of the beneficiary and are re-balanced regularly as the child approaches college age. Newborn and younger children will have a higher proportion of their investment account allocated to stock funds to take advantage of the potential for greater long-term returns compared with bonds. As the child grows older, the asset allocation progressively shifts toward more conservative bond and money market investments for added safety in the years closer to college.

Information about the CHET program can be obtained either by calling the toll-free telephone line, at **1-888-799-CHET**, or by visiting the new CHET web site at www.aboutchet.com.