



VIEWS & VISIONS

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A SMART Plan for the Future

The Honorable John D. Perdue, Treasurer
State of West Virginia

John D. Perdue is serving his fifth term as West Virginia's State Treasurer. During his tenure, he developed strict management procedures, advanced operations with modern technology and assembled a skilled staff of professional bankers and Certified Public Accountants.

Mr. Perdue established the West Virginia SMART529 College Savings Plan, which boasts more than \$2 billion in assets and more than 120,000 participants.

He also helped develop the Board of Treasury Investments, which he oversees as chairman of the board. The BTI's two money market pools continue to maintain Standard and Poor's prestigious AAAM rating. Additionally, he manages the successful Retirement Plus savings program for public employees and the nationally award-winning Networth financial education initiative. Mr. Perdue has returned more than \$160 million to the people of West Virginia through his office's Unclaimed Property Division.

He is the only West Virginia State Treasurer to serve as president of the National Association of State Treasurers (NAST) and the National Association of Unclaimed Property Administrators (NAUPA). He was honored as NAST's Treasurer of the Year in 2007. In 2012, he received the Unclaimed Property Lifetime Achievement Award from NAUPA.

He has been a public servant for more than 40 years, starting his career with the West Virginia Department of Agriculture. Before becoming Treasurer, he served eight years as a top aide to then-Governor Gaston Caperton.

It has been one of my greatest privileges during my tenure as State Treasurer to lead the development of West Virginia's SMART529 College Savings Plan. When we started building the state's program, the college savings industry was relatively nascent. It was an exciting time marked by a lot of investigation and debate, but it was the reality of double-digit higher education tuition inflation that drove the early planning. Unfortunately, the soaring costs of higher education haven't changed. The positive news is that over the past decade, 529 plans have become better understood and participation has increased.

Nationwide, the industry continues to expand and, as it does, college savings plan investors are likely to experience additional benefits achieved through economies of scale. The industry as a whole has already experienced a downward trend in fees, due largely to the increased incorporation of lower-cost funds and the growth in total industry assets under management. In addition, college savings plan investors are advantaged by both federal tax relief on earnings and in most instances, state tax relief incentives that offset



fees. Considered together, all of these factors make 529s attractive and practical tools for families planning for a child's educational future. West Virginia has experienced a similar evolution in this space. When West Virginia's 529 plan was introduced in 2002, we made two plans available: one direct-sold and another broker-sold. Both contained a blend of active and passive funds with similar fee structures. In 2016, a great deal has changed.

Today, SMART529 boasts three available investment options. Through a relationship with Vanguard funds, our in-state, direct-sold plan, the SMART529 WV Direct, is one of the least expensive in the nation and is regularly recognized for its performance at the national level. The SMART529 Select Plan, the nationally direct-sold product, features funds managed by Dimensional Fund Advisors (DFA). The SMART529 Select was the first in the nation to make DFA funds available to consumers through a college savings plan. Of course, for those working with an advisor, The Hartford SMART529 is a favorable and widely recommended investment option.

Over the years, I have worked closely with the program's board of trustees and our program manager, Hartford Funds, to make sure our investors and financial services representatives have the most up-to-date resources and outreach strategies. We have refined and streamlined recordkeeping among brokerage firms and investment management companies, and we



Archana Krishnathas (left) and Isabelle Merritt (right), pictured with John Perdue, were two of the 15 regional winners for the 2015 SMART529 "When I Grow Up" essay contest.

have made information more readily available to investors who have questions about their portfolios. Additionally, we have facilitated the development of electronic gifting and worked on grassroots outreach campaigns to make people aware of the program's benefits. One of our most successful efforts is an annual essay contest for elementary students to write about what they want to be when they grow up. They have the opportunity to win scholarships invested in SMART529 accounts.

Additionally, I'm proud we recently established the Bright Babies program, which offers a \$100 incentive to new parents who open an account during the first year of their child's life (the scholarship is also available to adoptive parents during the first year of a completed adoption). Academic research has confirmed the profound effect a college savings account can have on a child's life. We believe the Bright Babies program will help bring this message to West Virginia families.

As we look to the future, I am excited to introduce a new program that is in the early planning stages around the country. West Virginia will be among the first states to develop an Achieving a Better Life

Experience (ABLE) program, which will ease the financial strains of individuals with disabilities. Money from these tax-free savings accounts available under Section 529 may be used to cover qualified expenses such as education, housing and transportation.

With well more than \$200 billion invested in 529 plans nationwide, the college savings industry can no longer be described as emerging. Overall, states have worked hard over the years to ensure they fulfill their role as fiduciaries and provide participants with clear and consistent information about their plans.

In West Virginia, most of our accomplishments over the years have sprung from embracing innovation and change. This strategy will continue as the program grows, and I am certain it will guarantee the enduring excellence of West Virginia's SMART529 College Savings Plan. ▽