The COVID-19 global pandemic continues to be a central theme dominating headlines and affecting public health, the economy and political policy. Businesses around the country are in various stages of reopening after a multi-month hiatus. The recent pickup in activity has translated to improved employment and expected GDP growth for the U.S. economy. However, uncertainty remains regarding the future of a sustainable recovery. External factors such as COVID-19 impacts potentially affect investors' portfolios, which is why TIAA-managed 529 college savings plans are designed to weather market uncertainty during challenging times.

“Market downturns are simply part of the college saving experience,” said Mark Kantrowitz, publisher of SavingForCollege.com. During any 17-year period, he calculates, the stock market typically will suffer at least three corrections (considered a drop of 10%) and at least one bear market (a drop of 20%). Since March, U.S. stock markets have sharply entered a bear market, partially recovered with a bull market, and now remain near breakeven levels for the year so far. This illustrates how individuals can easily mistime cycles and miss a subsequent financial recovery. While it might feel comforting to abandon an investment strategy to avoid volatility during downturns, the recent months demonstrate market unpredictability, both good and bad, and why abandonment is not advised.

TIAA-CREF Tuition Financing, Inc. (TFI) has been managing state 529 college savings programs since 1998, and currently serves as program manager for eight 529 plans across the nation. TFI’s dedicated and experienced investment team designs 529 plan investment menus with a long-term view and investor behavior in mind.

“Asset diversification is key,” said Jeremy Thiessen, senior director and head of investments at TFI. “The diverse assets and allocation of our enrollment date and age-based portfolios are designed to weather short-term swings and be there for beneficiaries when they are ready to use it.”

For 529 plan accounts where the beneficiary is at or approaching enrollment, TFI programs feature a unique, compelling solution for portfolio stability. A significant portion of the asset allocation at or near their enrollment date is invested in a stable value, principal-protected, insurance-backed product called the Funding Agreement, which provides principal protection with a guaranteed crediting rate.
“The Funding Agreement can significantly reduce volatility from risk assets with stability and a reliable income stream,” said Thiessen. “It is especially attractive in today’s low interest rate environment. The Funding Agreement yield never drops below 1%, which is higher than many similar, low-risk products.”

TFI also offers the Funding Agreement to account owners as an individual portfolio option within all of the programs it manages, serving as a safe, liquid investment for those who are more risk-averse.

TFI accesses the research and investment perspectives of investment affiliates across the firm—notably Nuveen, TIAA’s asset management affiliate. According to a recent report from Nuveen’s Global Investment Committee, “We don’t think investors should change their long-term investment approaches.” The report goes on to say that “we think investors should NOT try to exit and re-enter into stocks or other risk assets to avoid the turmoil. Instead, we think investors should stay focused on their long-term goals, stick with rebalancing plans and review asset allocation strategies.”

TFI agrees and recommends staying the course in the current market environment. With more than 20 years of strategic investment experience in the 529 industry, having weathered a number of different market environments over that time, TFI has applied experience, expertise and industry best practices to help investors achieve their education savings objectives.

“Investors should stay focused on their long-term savings objectives and remember that 529 college savings plans are created in the best interest of account owners,” said Thiessen. “While certain investment approaches may be uncomfortable in the short term, a thoughtful portfolio asset allocation and sound discipline can help investors stay the course during uncertainty.”

Please refer to the Plan Disclosure Book(s) on TIAA.org/529 prior to investing, for details on risk, tax benefits, charges and expenses, and whether your home state offers tax or other benefits such as financial aid, scholarship funds, or protection from creditors for investing in its own 529 plan. Investments in the TFI-managed 529 college savings plans are neither insured nor guaranteed and there is the risk of investment loss. Consult your legal or tax professional for tax advice. TIAA-CREF Tuition Financing, Inc. (TFI) is the Plan Manager for several state 529 plans, and TIAA-CREF Individual & Institutional Services, LLC, Member FINRA, is the distributor and underwriter for those plans. 129085