

# MFESP 2000 Year-End Report (Abridged)

## Summary:

The year 2000 was the Montana Family Education Savings Program's third year of operations. Highlights include deposit growth to \$17.2 million and an increase in the number of accounts established to 2,526.

During this period a legislative initiative was designed to amend the MFESP enabling statute. Introduced in January 2001, the bill (SB 258) conforms the MFESP statute to the 1997 federal amendments to section 529 plus offers a state tax exclusion on earnings distributed to pay for college. The state tax deduction for contributions is further integrated into state law. In addition, state tax rules were finalized by the Department of Revenue in 2000. Lastly, the application to register the program's Mountain Design logo was approved by the U.S. Patent and Trademark Office.

Strategic marketing and public relations efforts continued throughout 2000. Emphasis was placed on increasing the number of direct depositors. More employers added the MFESP to their payroll plans for employees. Additional financial planners helped distribute the program. All efforts resulted in a significant increase in regular accounts as well as automatic direct deposits and payroll.

New marketing and fulfillment materials were introduced as well as updated in 2000. The MFESP web site continued to show increased activity. The site received over 16,000 successful requests for pages for the year -- about triple the amount from the prior year. Strategies for public relations as well as direct mail, internet, e-mail, magazine, newspaper, radio and television advertising campaigns that were successful in prior years continued to be used in 2000. In addition, marketing dollars were dedicated to creating and promoting a new half-hour television program entitled "Saving for College With the Montana Family Education Savings Program" featuring Governor Marc Racicot. It was rolled out in July 2000 and aired on stations across the state.

## Here are the results for the year ended 2000:

### Lead Generation

#### A. Overview

The Program Manager, College Savings Bank, monitors and tracks all incoming requests for information or "leads" by media source. As of Dec. 31, 2000, the Bank had accumulated a total of 8,815 Montana resident leads and 15,427 out-of-state leads, resulting in a grand total of 24,242 since inception.

#### B. Lead Totals By Zip Code

Here are the leads segmented by MT three-digit zip code for 1998, 1999 and 2000.

Region	Zip	1998 Leads	1999 Leads	2000 Leads	
<b>Total Leads</b>					
Kalispell	599	329	236	162	727
Missoula	598	718	499	515	1,732
Butte	597	605	482	294	1,381
Helena	596	456	320	260	1,036
Great Falls	594	634	394	256	1,284
Havre	595	140	89	74	303
Billings	590/591	733	563	452	1,748
Wolf Point	592	146	69	56	271
Miles City	593	<u>162</u>	<u>103</u>	<u>68</u>	<u>333</u>
Leads (MT)	--	3,923	2,755	2,137	8,815
Leads (NAT'L)	--	6,992	5,133	3,302	15,427
<b>Total Leads</b>	<b>--</b>	<b>10,915</b>	<b>7,888</b>	<b>5,439</b>	<b>24,242</b>

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## Customer Acquisition

### A. Overview

The conversion rate from prospect (lead) to customer (account) was 10.4% as of December 31, 2000. The Bank established a grand total of 2,526 accounts. Of these, there were 1,649 Montana resident accounts and 877 out-of-state accounts. A full 28.2% of these accounts were direct deposit participants. Specifically, there were 454 direct deposit accounts from financial institutions (up from 234 last year) and 259 payroll deduction accounts (up from 72 last year).

### B. Account Totals by Zip Code

Here are the accounts segmented by MT three-digit zip code for 1998, 1999 and 2000.

Region	Zip	1998 Accounts	1999 Accounts	2000 Accounts	
<b>Total Accounts</b>					
Kalispell	599	45	45	22	112
Missoula	598	152	110	139	401
Butte	597	85	115	98	298
Helena	596	79	87	78	244
Great Falls	594	82	64	67	213
Havre	595	17	11	27	55
Billings	590/591	102	80	93	275
Wolf Point	592	7	5	7	19
Miles City	593	<u>15</u>	<u>14</u>	<u>3</u>	<u>32</u>
Accounts (MT)	--	584	531	534	1,649
Accounts (NAT'L)	--	312	325	240	877
<b>Total Accounts</b>	<b>--</b>	<b>896</b>	<b>856</b>	<b>774</b>	<b>2,526</b>

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## Withdrawals

Withdrawals since inception totalled \$447,321.63. Broken down by year, withdrawals are as follows:

	1998	1999	2000	Total
Withdrawals	3	33	62	<b>98</b>
Amount	\$14,133.33	\$163,942.68	\$269,245.62	<b>\$447,321.63</b>

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## Deposits and Expenditures

### A. Deposit Overview

Since inception through December 31, 2000 deposits for the Montana Family Education Savings Program totalled \$17,202,152.65. Below is a snapshot by year and resident status:

## In-State vs. Out-of-State Deposits\*

	1998	1999	2000	Total
MT Resident	\$1,432,864.67	\$2,087,511.10	\$2,921,631.81	\$6,442,007.58
Out-of-State	<u>3,484,076.01</u>	<u>4,135,066.66</u>	<u>3,141,002.40</u>	<u>10,760,145.07</u>
<b>Total</b>	\$4,916,940.68	\$6,222,577.76	\$6,062,634.21	\$17,202,152.65

\*Deposit figures are net of withdrawals.

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## Deposit Totals By Maturity

An analysis of the total dollars on deposit per maturity year within and outside Montana is outlined below. Weighted average years to maturity is 6.4 years for Montana residents and 8.1 years for out-of-state residents. Further, the average account size for Montana resident accounts is \$3,907 while the average size for out-of-state accounts is \$12,269.

## Deposits by Maturity Year

Maturity Year	Montana Resident	Out-of-State
Savings Account	\$245,429.51	\$4,255.80
2001	403,511.13	129,857.89
2002	773,911.46	331,791.88
2003	614,407.75	567,476.01
2004	725,228.17	839,894.94
2005	475,213.12	746,792.14
2006	378,307.84	864,359.40
2007	369,828.22	1,005,958.70
2008	328,163.16	1,058,161.42
2009	308,803.83	1,127,420.86
2010	301,609.37	834,008.47
2011	259,820.02	768,641.72
2012	220,985.17	638,842.86
2013	209,279.28	501,602.08
2014	230,128.98	452,393.54
2015	150,279.92	375,116.20
2016	170,257.04	220,826.99
2017	130,576.20	162,667.55
2018	114,051.50	85,792.14
2019	24,608.02	31,998.83
2020	7,107.89	11,101.41
2021	<u>500.00</u>	<u>1,184.24</u>
<b>Total</b>	<b>\$6,442,007.58</b>	<b>\$10,760,145.07</b>

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## Expenditures Synopsis

Expenditures for the Montana program from inception through Dec. 31, 2000 totalled \$1,110,327.91. Below is a snapshot by year.

## Expenditures

1998	1999	2000	Total
\$317,183.09	\$394,242.00	\$398,902.82	\$1,110,327.91

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## Fee Generation

From inception through September 30, 1999 a \$40 application fee was charged per account established if neither the depositor nor beneficiary were residents of Montana. A \$100 fee is charged for withdrawals within three years of account opening. A 10% penalty on earnings is charged for non-qualified distributions. Here is a fee comparison for 1998, 1999 and 2000:

	Application Fee	Withdrawals within 3 years	Non-Qualified Distribution Fees	Total Fees
1998	\$12,480	\$300	----	\$12,780.00
1999	10,760	3,300	166.11	\$14,226.11
2000	<u>0</u>	<u>6,200</u>	<u>705.18</u>	<u>\$6,905.18</u>
<b>Total</b>	<b>\$23,240</b>	<b>\$9,800</b>	<b>\$871.29</b>	<b>\$33,911.29</b>

According to the contractual fee arrangement, the Board of Regents earned a total of \$20,991.29 since inception. The chart below shows earnings broken down by year.

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## Board of Regents Earnings

1998	1999	2000	Total
\$6,390.00	\$7,696.11	\$6,905.18	\$20,991.29

If you have any questions, e-mail us at [montana@collegesavings.com](mailto:montana@collegesavings.com) or call toll-free 1-800-888-2723 any Monday through Friday between 7 a.m. - 4 p.m. Mountain Time (9 a.m. - 6 p.m. Eastern Time).

This report was prepared by College Savings Trust, Helena, MT, March 1, 2001.

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