

ABLE Savings Plans: Uncertain Times Call for Certain Measures

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 impacts from COVID-19 potentially affect investors' portfolios, which is why ABLE accounts are designed to weather market uncertainty during challenging times.

Many individuals use their ABLE accounts to accumulate assets for their long-term goals. While it can be unnerving, market downturns are part of any long-term investing experience, including saving with an ABLE account, according to Mark Kantrowitz, publisher of a leading website that tracks and analyzes the ABLE 529A industry, SavingforCollege.com. During any 17-year period, he said, 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%).

As of this writing, U.S. equity markets are remarkably near all-time highs after a sharp drawdown earlier in the year, but so much uncertainty remains that investors may be hesitant or even fearful of what's to come. The Federal Reserve recently stated that the economic and financial recovery is inextricably linked to COVID-19, so the search for a vaccine will have wide-ranging effects for not only the health crisis, but also for guiding a future for the financial markets. The pandemic crisis has shown how quickly broad-based investor sentiment or optimism can change, which can affect investments in an ABLE plan.

California's CalABLE Savings and Investment Plan

TIAA-CREF Tuition Financing, Inc. (TFI) has managed California's ABLE program (CalABLE) since its inception in 2018. TFI also manages eight 529 college savings programs across the country. TFI's dedicated and experienced investment team designs customized investment menus for both CalABLE and the TFI-managed college savings plans that take into consideration a long-term view and investor behavior during volatile times.

"Asset diversification is key," said Jeremy Thiessen, Senior Director and Head of Investments at TFI. "The diverse range of options available through CalABLE are designed to provide plan participants with choices to meet different savings objectives."

For those who need to use their funds right away to cover current expenses, CalABLE's FDIC Insured Option is a safe portfolio offered through TIAA Bank. The FDIC-Insured Option preserves principal and credits accounts with an interest rate. Just over one-third of CalABLE's assets are in the FDIC-Insured Option, which is not subject to the same market risks that generate headlines.

CalABLE also offers three target-risk portfolios. The Aggressive Growth Portfolio, Moderate Portfolio, and Conservative Portfolio, each with varying levels of equity (80%, 50% and 20%, respectively) for different risk and potential long-term return results. All three options include some fixed income allocation, and both the Moderate and Conservative portfolios include an allocation to the Funding Agreement. The Funding Agreement is a stable value, insurance-backed product that 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.

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.”

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 savings objectives.

“In times like these, investors must remember that ABLE programs were built for a variety of different investor profiles, and offer portfolios with varying levels of risk, said Thiessen. “For those with larger allocations to equity, volatility may be uncomfortable, but a strong asset allocation design and sound discipline can help investors navigate today’s uncertainty.”

Consider the investment objectives, risks, charges and expenses before investing in the California 529A Qualified ABLE Program (CalABLE Program). Please call toll-free 833-Cal-ABLE (833-225-2253) or read our Disclosure Statement containing this and other information. Read it carefully. Before investing in any ABLE program, you should consider whether your home state provides its taxpayers with favorable state tax or other benefits that are only available through investment in the home state’s ABLE program. You also should consult your financial, tax, or other adviser to learn more about how state-based benefits (or any limitations) would apply to your specific circumstances.

The CalABLE Program is offered by the State of California. TIAA-CREF Tuition Financing, Inc. (TFI), program manager. TIAACREF Individual & Institutional Services, LLC, Member FINRA, distributor and underwriter.

The State of California, its agencies, TFI or TCS nor any of their applicable affiliates insures accounts or guarantees the principal deposited therein or any investment returns on any account or investment option, and you may lose the principal amount invested. The FDIC-Insured Portfolio is FDIC-insured up to \$250,000, subject to certain restrictions. Interests in the CalABLE Program are not registered with or in any way approved by the Securities and Exchange Commission or by any state securities commission. 1323613