

Education Savings Nation 2026: Change Is the New Constant

Our Annual Update on 529 Plans and Trends

October 2026

Overview

This Report provides an update on trends and developments we have observed in the 529 industry over the past three and a half years. As of June 30, 2026, the 529 market had grown to \$650 billion in assets under management, across approximately 18 million accounts nationwide, representing 59% and 14% growth, respectively since 2023 – all major milestones.

In our last 529 Market Report, we discussed the expansion of qualified 529 uses and new industry initiatives. We are happy to report that these trends have continued, making 529 Programs more flexible than ever, while reaching an increasing number of children and families. Every year brings new potential to the landscape for education and workforce development programs. Change is here to stay.

In this Report, we address:

Trends and Observations

- **529 uses are broader than ever.** The latest federal expansion allows for payments for credentialing programs and additional K-12 costs. Today, most States have embraced the expansions; only 10 States limit the uses for K-12 and 10 States limit or remain undecided on 529-to-Roth IRA rollovers.
- **In 2025, Morningstar stood firmly behind its 2024 rating methodology.** That conviction in the rating process shaped how we approached our 2026 preparations with State administrators. With the 2026 ratings arriving in November, we will soon see whether Morningstar's framework continues to hold.
- **Policy-driven investment options gain momentum.** States continue to consider legislation regarding topics such as foreign investments, cryptocurrency and fossil fuel-free investments. Whether the trend continues is yet to be seen.

Opportunities to Foster Growth

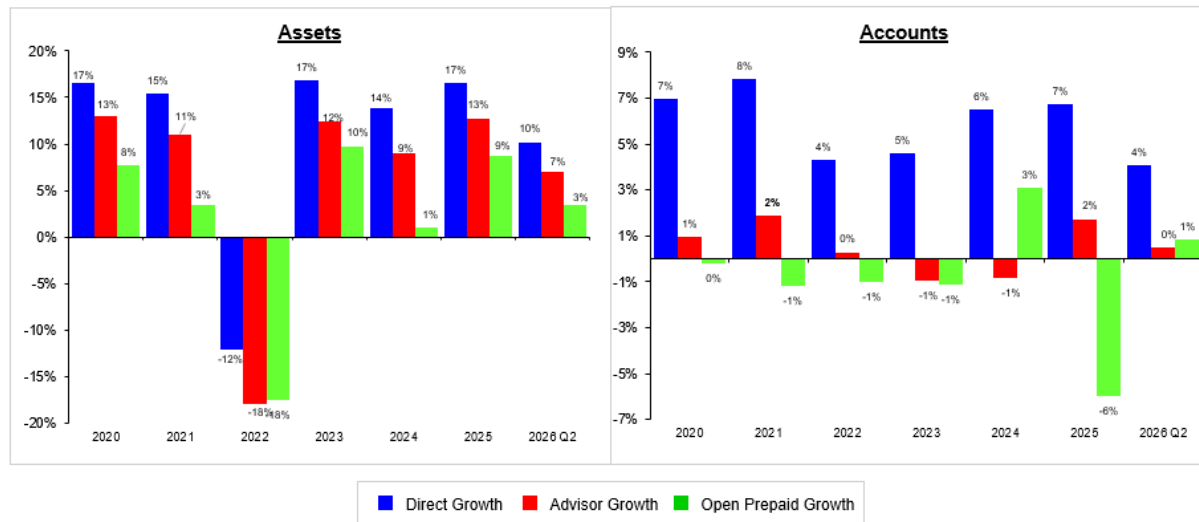
- **Wealth-building initiatives reinforce the savings message.** In July 2025, Congress authorized the creation of 530A Accounts (also known as Trump Accounts). There may be a role for States to ride this new momentum to enhance financial literacy and wealth building without regard to family income.
- **Expanded 529 uses create re-branding opportunities.** As 529 assets meet versatile needs, Plans have an opportunity to broaden how they are positioned and described to families.

Methodology

Information in this AKF Market Report is based upon Program Disclosure Statements as of September 30, 2026. Asset and account data is sourced to The 529 Network as of June 30, 2026. 529-to-Roth IRA rollover data is sourced to ISS Market Intelligence as of June 30, 2026.

The Trends We See

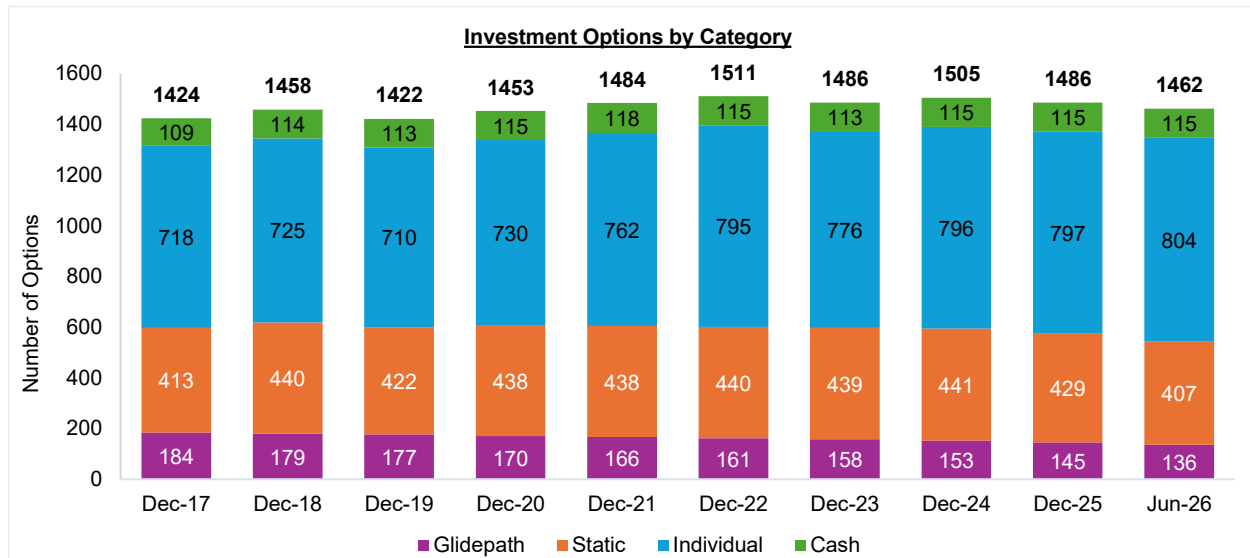
Market Performance. Strong financial markets since 2023 helped 529 assets rebound after a difficult 2022, bringing the total market to approximately \$650 billion as of June 30, 2026. As shown in the charts below, asset growth was consistently positive across the industry between 2023 and 2025, with Prepaid growth lagging Savings Plans generally. In the first half of 2026, 529 asset growth remains strong and on pace with prior years.



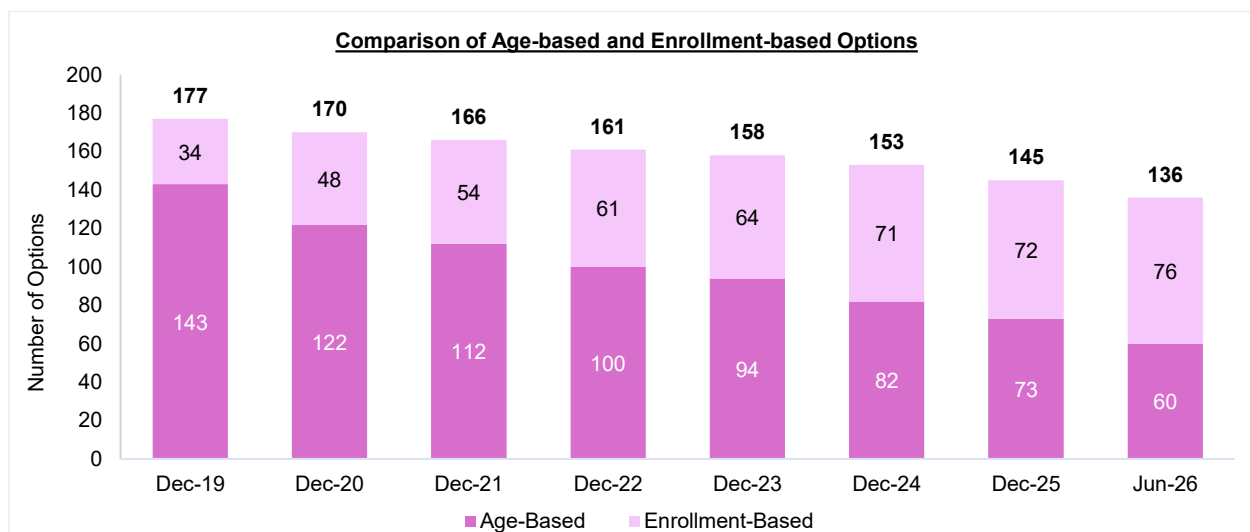
From an account perspective, the market has surged to more than 18 million accounts as of June 30, 2026.

- Direct accounts bounced back in 2024 following a highly inflationary environment, which we believe delayed account openings.
- Advisor Plans also lost accounts in 2023 and 2024 before rebounding in 2025, mirroring the trend in Direct Plans. While we are encouraged by the positive 2% growth in 2025, we note that gains are limited to a few Advisor Plans rather than broad growth across the industry.
- Prepaid accounts have been on a downward trend over the past fifteen years. Recordkeeping and administrative adjustments account for widely varied growth in 2024 and 2025; we are encouraged by early growth in 2026.

Shifts in the Investment Menu. As shown in the chart below, the **total number of investment options** has hovered between 1,420 and 1,510 since 2017. While the total number has not drastically changed, the mix has shifted meaningfully over time. Glidepath options have steadily declined¹ while individual options have grown, and static and cash options have held steady.

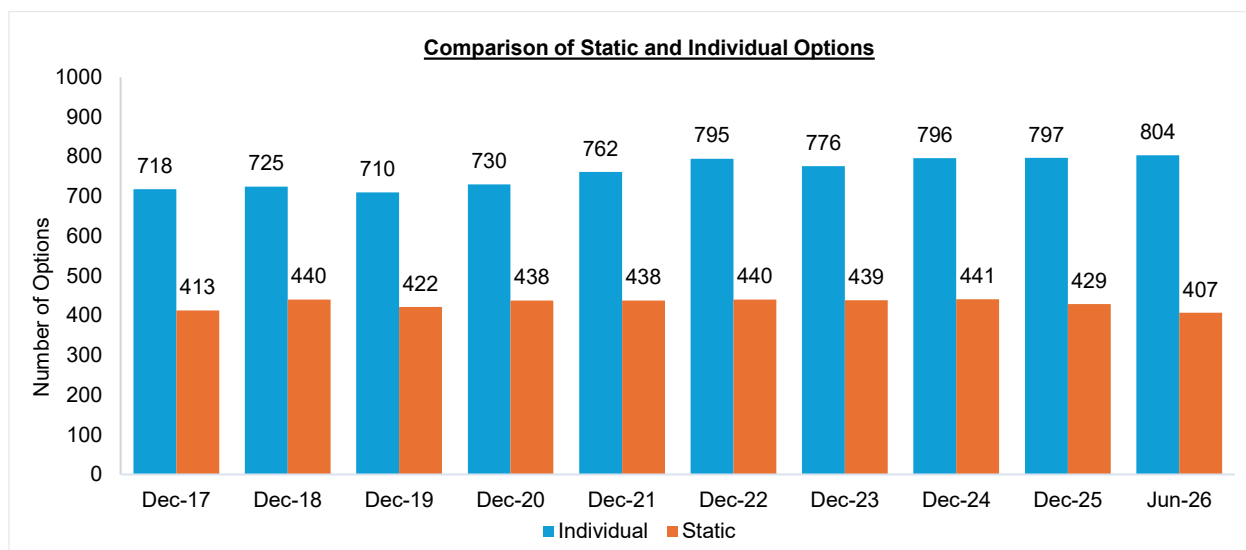


Within the **glidepath category**, age-based options decreased (from 143 to 60) while enrollment-based options have more than doubled (from 34 to 76), suggesting a clear trend toward the progressive glidepath structure as shown in the chart below. In many instances, this reflects the condensing of multiple risk-based, stepped choices into a single glidepath option. In simple terms, a progressive glidepath that allows an investor to choose the investment starting point meets the investor need in a much more straightforward fashion.

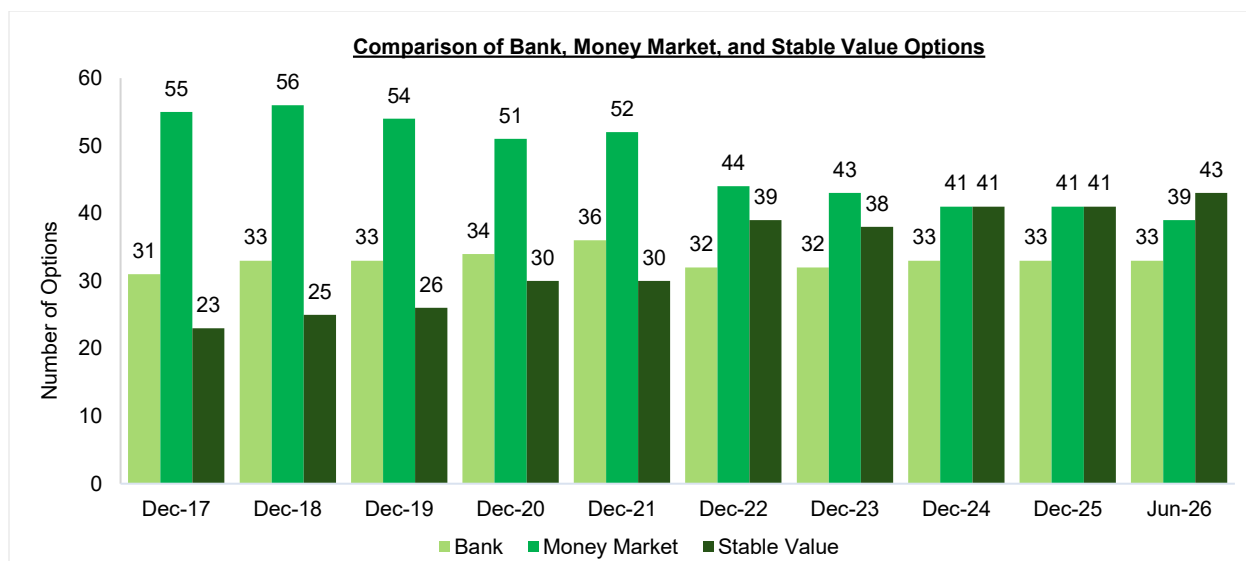


¹ The change from 184 options on December 31, 2017 to 136 as of June 30, 2026 represents a 26% decrease

As shown in the chart below, **individual options** continue to dominate the overall menu and now represent more than half of all options.² **Static options** have largely held steady since 2018. The decrease in the first half of 2026 was driven by a single program manager change that led to a restructured investment lineup.

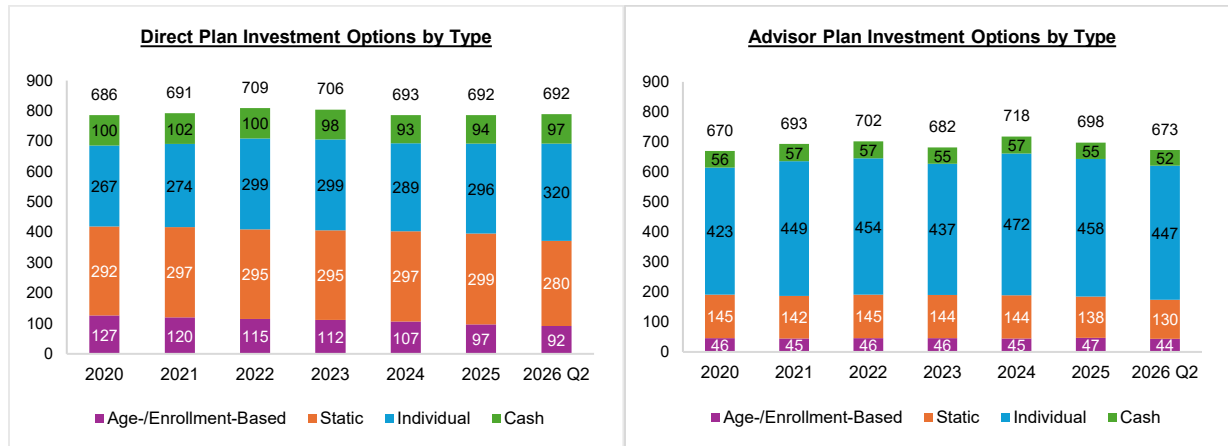


Within **cash and other short term options**, the number of bank options have stayed relatively consistent (between 31 and 36) since 2017. Over the same time period, money market options declined (55 to 39) and stable value nearly doubled (23 to 43), overtaking all other cash options in the first half of 2026. We believe this shift is driven by uncertainties in the interest rate environment, since stable value at least offers an earnings floor amid rate volatility.

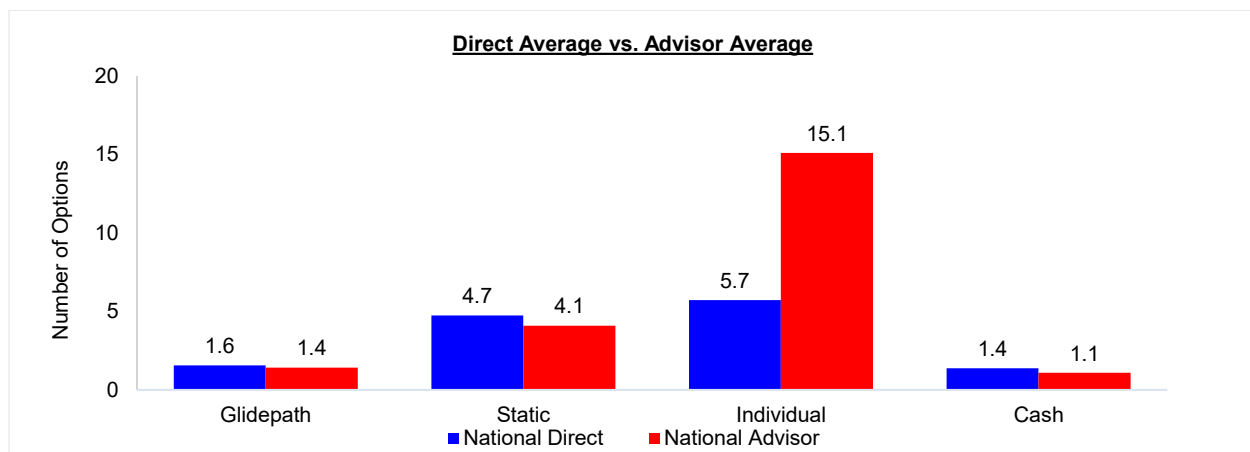


² The change from 718 options as of December 31, 2017 to 804 as of June 30, 2026 represents a 12% increase

Investment Options Across Direct and Advisor Plans. The total number of investment options has remained relatively stable across distribution channels, while the trends have varied slightly as shown in the charts below. Glidepath consolidations were more pronounced across Direct Plans that often offered multiple age-based options as opposed to Advisor Plans that usually offer a single option. The number of individual options rose across both Direct and Advisor Plans, indicating the increasing presence of RIAs in direct and demand for greater choice by advisors. Finally, Direct Plans offer nearly twice as many cash / short term options as Advisor Plans, suggesting higher demand for conservative products that offer stability, lower risk or some guarantee.



Today, Advisor Plans offer about 22 options on average, compared to approximately 14 in Direct Plans. As shown in the chart below, individual options drive the difference. For us, this affirms the opportunity for advisors to add value through greater choice for their clients.

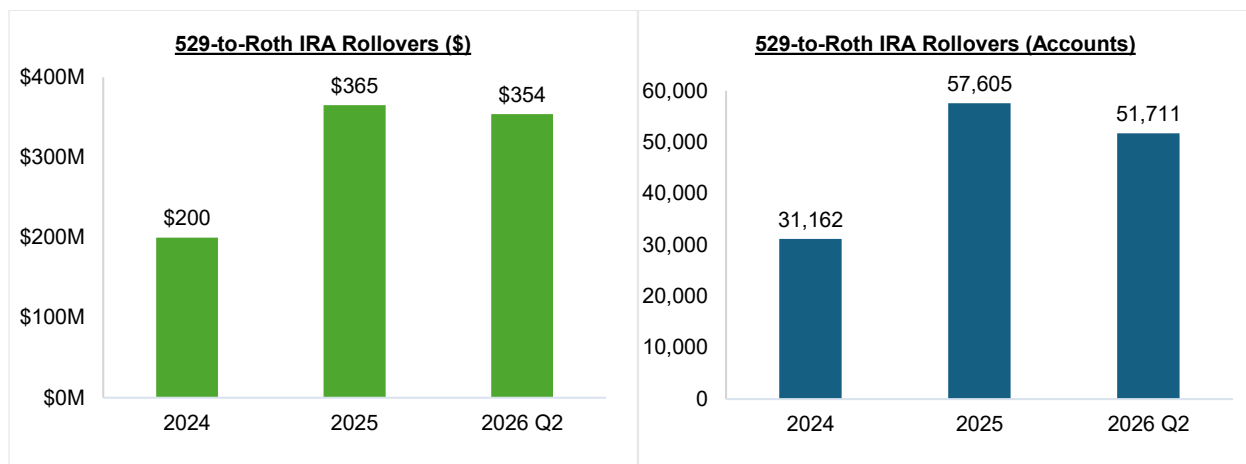


Going forward, we expect the current trends to continue. More Plans will likely shift away from the stepped age-based to the progressive glidepath. We would not be surprised to see continued increases in individual options across Direct Plans to accommodate RIAs. While States have not made substantial changes in reaction to the expansions of 529 uses, Plan menus may gradually shift to support a wider range of education and workforce development goals.

Our Observations

Observation 1: Qualified 529 uses are more expansive than ever.

In our last Market Report, we noted that the 529-to-Roth IRA rollover provision enacted in 2022 would make 529s more attractive to families seeking greater savings flexibility. Early data suggest that flexibility is beginning to resonate with savers: according to ISS Market Intelligence data, more than \$789 million has been rolled over from almost 121.5 thousand 529 accounts since January 1, 2024. As shown in the charts below, rollovers in the first half of 2026 alone represented 97% of total funds transferred and 90% of accounts in 2025. At this pace, 2026 rollovers should substantially exceed 2025 results. In our view, this confirms the importance of this 529 expansion. While rollovers remain subject to important eligibility limits, we expect activity to increase as more account owners become aware of the opportunity.



The Budget Reconciliation Act of 2025 (Public Law 119-21, also referred to as the One Big Beautiful Bill, defined here as “H.R. 1”) continued the expansion of 529 uses to include certain postsecondary credentialing costs, including tuition, fees, books, supplies, equipment, required testing fees, and required continuing education. It also broadened qualified K–12 expenses beyond tuition, and beginning in 2026, it doubled the annual K–12 limit from \$10,000 to \$20,000. Taken together, these changes make 529s relevant to a much broader group of beneficiaries.³

H.R. 1 did more than expand qualified expenses: it materially strengthens the case for 529s as flexible education and workforce development vehicles that will remain useful at more points in a beneficiary’s life. By extending qualified uses across age groups, educational stages, and career paths, Section 529 reduces a longstanding barrier to saving: uncertainty about how a beneficiary will ultimately use the funds.

Most States have embraced the expanded 529 uses, but adoption is uneven as shown in the table on the following page. While apprenticeships, credentialing and student loan repayments are broadly accepted, K–12 and Roth IRA rollovers have seen slower uptake. Perhaps this reflects lingering policy considerations regarding public versus private K-12 education, and concerns about jumpstarting retirement accounts by higher income families.

³ Importantly, H.R. 1 also made permanent the 529-to-ABLE rollover

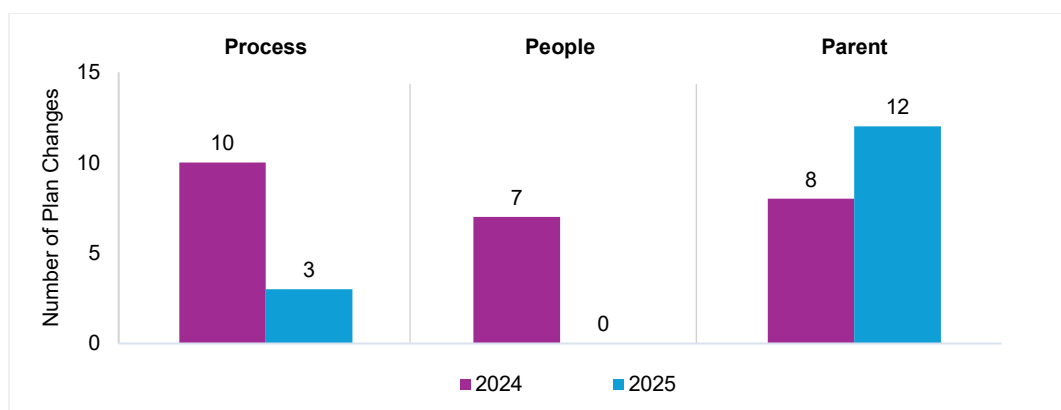
States NOT Adopting Expanded Uses ⁴				
K-12 Costs	Apprenticeships / Credentials	Student Loans	Roth IRA Rollover	
California Colorado Hawaii Illinois Michigan Minnesota Nebraska ⁵ New York Oregon Vermont	-- ⁶	Colorado Indiana	California Colorado District of Columbia Indiana Massachusetts Michigan Minnesota New Jersey Vermont	<u>Decision Pending</u> Missouri
10 States	None	2 States	9 States (with DC)	1 State

Observation 2: Morningstar's 2025 ratings reinforced its 2024 framework.

Morningstar's 529 Plan ratings methodology underwent a major reset in 2024, shifting greater weight to Process and Parent, and moving Price to a mathematical adjustment within the broader ratings model. The 2024 changes significantly impacted Plan ratings, with 11 upgrades and nine downgrades. In contrast, 2025 ratings were notably stable, with just one upgrade and four downgrades. Our read on this? Morningstar has conviction in its new methodology.

Overall, Morningstar rated the same 59 Plans in both years, including 39 Direct and 20 Advisor Plans. In 2025, Medalist Plans declined slightly (from 32 to 31), and the same five Direct Plans attained the Gold rating. Also as of 2025, three Advisor Plans achieved Medalist ratings, including one upgrade to Bronze.

Pillar-level results reinforce the theme of relative stability: Parent was the primary driver of movement, as shown in the chart below. We also note that Price contributed to two overall downgrades in 2025. Overall, 2024 reset the framework and 2025 validated it, with Parent as the focus of continued change.



⁴ Source: ISS Market Intelligence and Program Disclosure Statements as of August 19, 2026

⁵ Based upon May 14, 2026 Supplement to NEST Direct Program Disclosure Statement: as of January 1, 2029, K-12 Expenses will be a Nebraska-qualified expense, subject to the federal annual limit

⁶ Effective July 17, 2026, Nebraska treats qualified postsecondary credentialing expenses as qualified expenses

The focus on Parent was reinforced by Morningstar's [2026 529 Education Savings Plan Landscape](#) and its [August 2026 Webinar: Inside Morningstar's 529 Ratings Methodology](#). Both underscored the important role States can play in earning better ratings overall.⁷ Importantly, Morningstar provided additional clarity on the components that matter on the Pillars and Price Adjustment and confirmed that its 2026 approach would remain consistent with the 2024 ratings framework.

As we look ahead, the 2026 ratings will provide another important test of Morningstar's framework and the durability of current Plan ratings. With the methodology now established, changes in Plan and Pillar ratings should offer insight into how Morningstar continues to evaluate Plans and where relative strengths and weaknesses are becoming more pronounced. For States and their partners, the 2026 ratings will provide another opportunity to assess competitive positioning and identify areas of improvement. As always, we hope that Morningstar will continue to provide transparency on the rating process as they have in the past.

Observation 3: Policy-driven investment trends emerge.

Boards and Trustees are increasingly asked to consider a range of policy-driven investment decisions, with activity to date centered on foreign-adversary divestment, cryptocurrency and fossil fuels. Foreign-adversary divestment in the 529 space has largely focused on China, exemplified by initiatives in Arkansas, Arizona, and Missouri, among others.⁸ Arkansas enacted legislation in April 2025 prohibiting 529 plans from investing in Chinese funds,⁹ while Arizona barred certain publicly managed funds, including the AZ529 Trust Fund, from holding investments in China.¹⁰ Separately, the Missouri 529 Plan added Vanguard's International Stock ex-China Portfolio in November 2025.¹¹

Much of the broader policy activity targets public investments rather than 529 Plans specifically. For example, Florida¹² and Tennessee¹³ required divestment by public retirement systems, while Texas enacted restrictions on certain state governmental entities.¹⁴ Illinois also introduced legislation targeting certain investments held by state and local funds,¹⁵ and Nebraska's Legislature introduced an interim study resolution directing legislative review of the fiscal and administrative implications of divesting public retirement funds from Chinese entities.¹⁶ Collectively, these developments suggest that foreign-adversary divestment is becoming a more established feature of state investment policy, with potential implications for 529 investment oversight and future lineup decisions.

Cryptocurrency has generated less momentum regarding investment options. For example, Indiana considered legislation that would have required its 529 Plan to offer cryptocurrency exposure, but ultimately the enacted measure applied only to certain public retirement and deferred compensation programs.¹⁷ Adoption has been more visible on the payments side. Catalis accepts cryptocurrency for

⁷ Morningstar specifically cited Georgia and Maine for proactive investment oversight, and the Kansas Program Manager rebid for the "willingness to find better, lower-cost solutions"

⁸ For example, Kansas enacted the *Countries of Concern Divestment Act*, establishing divestment requirements from "countries of concern" for broadly defined state-managed funds (see [House Bill 2711](#))

⁹ [Act 937 \(House Bill 1352\)](#)

¹⁰ [Chapter 156 \(Senate Bill 1221\)](#) and [Arizona Attorney General Opinion No. I25-008 \(Dec. 16, 2025\)](#)

¹¹ [Missouri Treasury Press Release; MOST ex-China Investment Portfolio](#)

¹² [Chapter 2024-187 \(House Bill 7071\)](#)

¹³ [Public Chapter 289 \(House Bill 805\)](#)

¹⁴ [Senate Bill 667](#)

¹⁵ [Senate Bill 3991](#)

¹⁶ [Legislative Resolution 476](#)

¹⁷ [House Bill 1042 \(introduced\); HEA 1042 \(enacted\)](#)

529 contributions, which Mississippi implemented in October 2025,¹⁸ and Pennsylvania announced in June 2026 that 529 and ABLE gift cards could be purchased with cryptocurrency.¹⁹ These developments suggest that account owners and contributors see funding sources broader than just dollar-based currency. In our view, this is a good example of “meeting people where they are.”

Adoption of fossil fuel-free investment options remains less prevalent. In Oregon and California, members of the public have urged Boards to consider such options, while the nonprofit Fossil Free California launched a petition seeking fossil-free static and age-based options in the State’s 529 Plan. In late 2025, the ScholarShare Board replaced the Nuveen Large Cap Responsible Equity Fund with the Vanguard FTSE Social Index Fund, which screens out companies involved in fossil fuels. Other 529 Plans in Maine, New Mexico, Virginia, and Wisconsin, at a minimum, also offer environmentally focused options. Most of these options are ESG or ESG-oriented and emphasize lower carbon exposure, reduced emissions, or fossil-fuel-related screening rather than being marketed strictly as fossil-fuel-free.

For Plan administrators, these developments underscore the importance of monitoring State policy, stakeholder expectations and investment lineup implications. The pathways differ: foreign-adversary divestment is primarily advancing through investment restrictions, cryptocurrency through payment functionality, and fossil-fuel-free investing through stakeholder advocacy and targeted lineup changes. Although the pace and scope of adoption remain uncertain, these trends could prompt further changes to 529 investment policies and offerings.

Opportunities for the Future

Opportunity 1: Wealth-building initiatives reinforce the savings message.

Section 530A Accounts, also known as Trump Accounts, represent a new federal wealth-building initiative that can complement 529s as part of a child’s longer-term savings strategy. Created by H.R. 1, and officially launched on July 4, 2026, 70 million Accounts have been established, including 60 million through a new automatic enrollment process. Children born between January 2025 and December 2028 are eligible for a \$1,000 federal contribution once the Account is claimed by the parent. Section 530A Accounts operate with specific restrictions until the beneficiary reaches age 18 when the funds are transferred to a Traditional IRA.

Treasury retains control of the Account app, with The Bank of New York Mellon Corporation serving as Financial Agent and Robinhood Markets as Brokerage and Initial Trustee. The default investment is the State Street SPDR Portfolio S&P 500 ETF (SPYM), with four additional broad-market ETFs expected in the future.²⁰ There is widespread corporate support for these Accounts across the financial, technology, consumer services, and media industries, with many employers pledging to make or match employee contributions to their children’s Accounts.²¹

¹⁸ [Mississippi Press Release](#)

¹⁹ [Pennsylvania Treasury Press Release](#)

²⁰ iShares Core S&P 500 ETF (IVV), iShares Core S&P Total US Stock Market ETF (ITOT), State Street SPDR Portfolio S&P 1500 Composite Stock Market ETF (SPTM), and Vanguard Total Stock Market ETF (VTI)

²¹ Section 530A limits employer contributions to \$2,500, which applies per employee, not per child

We have also seen strong philanthropic support for these Accounts. For example, Michael and Susan Dell have pledged \$250 to children under ten in low-income ZIP codes nationwide, a commitment totaling \$6.25 billion.²² Most recently, Elon Musk announced support for these Accounts through SpaceX stock contributions for approximately 72 million eligible children.²³ These philanthropic contributions do not count toward the \$5,000 annual cap on ordinary contributions.

States are also taking action. The [Oklahoma Dream Accounts Investment Program Act](#) authorizes the State Treasurer to contribute \$250 into the Accounts of eligible Oklahoma children until \$12.5 million has been distributed. Kansas has implemented the [Born to Invest Act](#), allowing the Office of Vital Statistics to share birth records with the State Treasurer. The shared information allows the Treasurer to provide information on 529, ABLE and 530A Accounts. As a result, the State launched [Born to Invest](#) to further promote early wealth building. Additionally, Massachusetts and Oregon have applied to be non-bank custodians with an eye toward becoming custodians for these Accounts. And Tennessee passed the [Tennessee Trump Account Program Act](#), which authorizes its Treasurer to serve as a non-bank custodian if approved by the U.S. Treasury Department.

Families are increasingly weighing how to prioritize 529 and 530A Accounts. While the latter introduce a new pathway to long-term wealth-building, 529s remain purposely built for education savings, offering tax-deferred growth and tax-free withdrawals, with potential state tax benefits. The two can complement each other within a broader family savings strategy. For the 529 industry, the opportunity is to reinforce the value of education savings while helping families understand how both vehicles can support their financial goals.

Opportunity 2: 529 Plan rebranding captures education and workforce audiences.

Given the federal expansion of qualified 529 expenses, Plans have a clear opportunity to position themselves as vehicles for a wide range of education and workforce development needs. National organizations are already moving in this direction. In June 2026, the College Savings Plans Network within the National Association of State Treasurers re-branded as *The 529 Network: The National Voice for Education Savings Plans*. Similarly, the College Savings Foundation also rolled out its new public-facing brand, *CSF529: Education Savings for a Lifetime*.²⁴

State Plans are also adjusting branding and saver-facing messaging to reflect this shift. For example, The Virginia College Savings Plan as an entity rebranded as *Commonwealth Savers*, which reflects management of the State's 529, ABLE and Auto-IRA Programs. Other examples include Oregon College Savings Plan, which is now *Embark*; Alaska renamed its T. Rowe Price College Savings Plan to *T. Rowe Price 529*; and *Indiana529* replaced *CollegeChoice 529*. Program Manager changes have also brought new names: Washington's DreamAhead College Investment Plan became *WA529 Invest* in 2025 and Kansas' Learning Quest Plan became *Quest 529* in 2026.²⁵

²² [Invest America](#). See this link to determine ZIP code eligibility

²³ [Elon Musk says he will give one SpaceX share to every child in America next year](#)

²⁴ As an aside, we renamed our 529 Market Report from *College Savings Nation* to *Education Savings Nation* to better reflect the expanding role of 529 Plans

²⁵ PA529 is another framing example as a "College and Career Savings Program," reinforced by its website identifying credential programs, apprenticeships, and K-12 expenses as eligible uses

Even without full rebrands, Plans are taking steps to update how they communicate with savers. The AZ529 homepage highlights information on 529-to-Roth IRA rollovers, and New Mexico's Plan website features a Learning Center and blog with articles on credentials, professional certifications, and recent federal changes. In the future, we encourage States to expand their Plan framing and the information they provide so that savers can make the best investment decisions for their educational and workforce pursuits.

Find Out More

State Administrators and Program Managers are always searching for new ways to serve the ever-expanding 529 market. We would be delighted to discuss our findings in more detail with you. For more information, please contact:

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