

The "Daily Plan-It"™

HOOPES & ADAMS, PLC

Volume 10, Issue 11

5/29/2008

Best and Worst of 529 Plans

Tax-advantaged 529 College Savings Plans are quickly becoming the preferred college savings programs for parents. Funded with after-tax dollars, these vehicles allow for both tax-free growth and distributions for educational purposes. In 2006, Congress made the 529 Plan legislation permanent, rather than allowing the law to expire in 2010, as originally intended.

We're not saying which plans are the best and the worst, so please don't send us any "hate e-mail!" (Rather, send it to the institution named below, i.e. Morningstar, Inc.!)

How to pick a good plan

Almost every state has a 529 plan. How do parents know which one is best? (Or how do we know, as advisors, which one to recommend?) Morningstar, Inc. has created a ranking system and determined which 529 Plans it believes are the best and the worst, as indicated below:

Ranking the 529 Plans	
The best and worst college-savings plans, as assessed by Morningstar.	
Best 529 College-Savings Plans	
Plan	Comment
Colorado Scholars Choice College Savings Program	A broker-sold plan that offers reasonable expenses and a strong lineup of fund managers.
Illinois Bright Start College Savings Program [†]	A direct-sold plan that offers a lineup of all-index and actively managed age-based portfolios. Fees for its index funds are among the lowest of any 529 plan.
Maryland College Investment Plan	A direct-sold plan that offers solid, actively managed funds with strong managers and low fees.
Virginia CollegeAmerica	A broker-sold plan that offers reasonably priced and strong fund performers from American Funds.
Virginia Education Savings Trust [†]	A direct-sold plan that offers a broad collection of strong active managers and proven index options in its age-based portfolios.
Worst 529 College-Savings Plans	
Plan	Comment
Mississippi Affordable College Savings Program [†] ; Mississippi Affordable College Savings Advisor Program [†]	Investors pay high program management fees of 0.7% on both the direct- and broker-sold plans, which rely heavily on index funds.
Nebraska AIM College Savings Plan	Investors pay above-average fees for this broker-sold plan with portfolios that generally tilt towards growth strategies.
New York 529 College Savings Program [†]	While the direct-sold plan is moderately priced and relies on solid Vanguard index funds, it doesn't provide investors with any international exposure.
Ohio Putnam CollegeAdvantage Plan [†]	A broker-sold plan with poor fund performance and "troubling turnover" among managers, analysts and executives at Putnam.

Source: Morningstar Inc. [†]New to the list this year.

As cited in the *Wall Street Journal* (Personal Finance), April 16, 2008.

(Clearly, Morningstar is ranking virtually everything these days! We're proud to share that THE DAILY PLAN-IT received a 5-star rating. (Well, we can dream, can't we?) We're quite certain that we're not on their radar screen, but we were amused by the thought.

Best news for kids

The best news is that more than \$111.9 billion is currently in 529 plans, and with companies like Morningstar ranking and evaluating these plans, their competition and quality will only increase. Fortunately, the ultimate beneficiaries of these plans are kids and universities (and some money managers).

Web resources for more info

There are a variety of resources on the Internet. You can go to www.morningstar.com and check out the study yourself. In addition, there are two popular websites: www.collegesavings.org and www.savingforcollege.com.

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