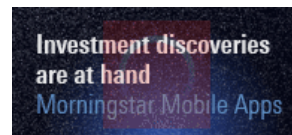


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Morningstar Names Best 529 College Savings Plans for 2017

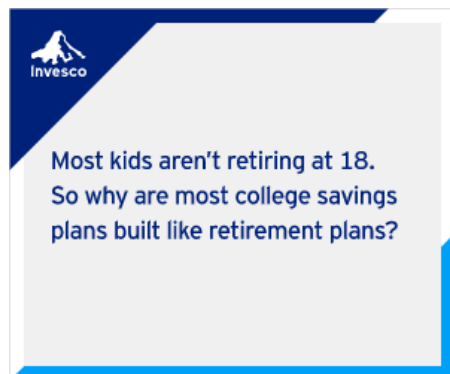
Thirty-four plans are Morningstar Medalists, and two receive Negative ratings.

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By [Leo Acheson, CFA](#) | 10-24-17 | 06:00 AM | [Email Article](#)

Each year, we assign Morningstar Analyst Ratings to college savings plans based on five key pillars--Process, People, Parent, Price, and Performance. When evaluating 529 plans, we may also take into consideration the unique benefits that plans offer to college savers, including local tax breaks, grants, and scholarships, which can influence a plan's Analyst Rating but usually do not drive the overall outcome.

**About the Author**

Leo Acheson, CFA, is a senior manager research analyst for Morningstar.

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In 2017, Morningstar identified 34 plans that it believes to be best-in-class options, assigning these programs Analyst Ratings of Gold, Silver, and Bronze. These plans for the most part follow industry best practices, offering some combination of the following attractive features: a strong set of underlying investments, a solid manager selection process, a well-researched asset-allocation approach, an appropriate set of investment options to meet investor needs, low fees, and strong oversight from the state and program manager. These features improve the odds that the plan will continue to represent a strong option for investors. Gold-rated plans have

all or a vast majority of these attributes. Silver- and Bronze-rated plans embody most of these qualities but often have some room for improvement.

Meanwhile, 26 plans earned Neutral ratings. These plans remain unexceptional, because either weaker aspects offset stronger ones or an element of uncertainty, such as an investment team change, clouds their prospects. Some Neutral-rated programs may hold appeal for in-state residents because of meaningful added benefits, such as local tax breaks, so investors should research their state's particular benefits.

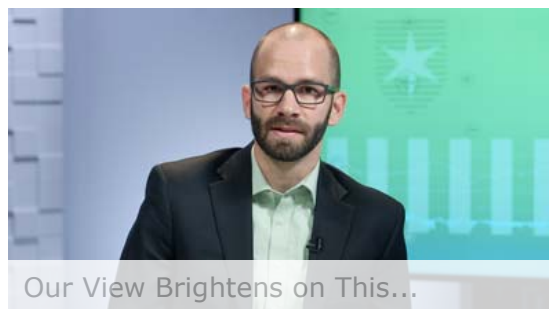
Just two plans received Negative ratings in 2017. These plans generally lack compelling traits and have at least one major flaw that makes them worth avoiding. Nationwide, there are 84 529 college savings plans, and these 62 ratings represent more than 95% of assets invested in 529 plans.


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6 New Stocks in the Wide Moat Focus Index

6 Medalist Funds Just Got Cheaper

Ratings Changes

This year, Morningstar upgraded six plans and downgraded three, compared with six upgrades and six downgrades in 2016. We also dropped coverage of Illinois' advisor-sold Bright Start College Saving plan, which will merge into Illinois' other advisor-sold plan, Bright Directions College Savings Program, in November 2017.

The 529 industry made meaningful improvements over the last year, with many plans reducing expenses and improving the asset-allocation approach used within the age-based portfolios by smoothing out the transition from stocks to bonds as the beneficiary ages.

This article focuses on this year's upgrades. Part two of this series publishes on Thursday and will detail the downgrades along with industry trends that these plans have not kept pace with.

In-depth analyses of all 62 plans under coverage are located in the [529 Plan Center](#) on Morningstar.com.

2017 Morningstar Analyst Ratings for 529 College Savings Plans

Gold -Rated Plans

	Issuing State	Distribution	Rating Change	2016 Rating
Bright Start College Savings (Direct)	IL	Direct	Upgrade	Bronze
Invest529	VA	Direct	--	Gold
The Vanguard 529 College Savings Plan	NV	Direct	--	Gold
Utah Educational Savings Plan	UT	Direct	--	Gold

On the Rise

We upgraded two direct-sold plans run by program manager Union Bank & Trust. Illinois overhauled the direct-sold Bright Start College Savings Program in July 2017 when it replaced program manager Oppenheimer Funds with Union Bank & Trust. With the revamped plan, investors can choose passively managed age-based tracks or tracks that blend active and passive underlying managers. The tracks have strong underlying funds, with passive strategies from Vanguard and a number of well-regarded active funds from firms including Dodge & Cox, T. Rowe Price, and BlackRock. Fees also declined; in fact, the index age-based tracks rank among the cheapest in the industry, with fees ranging from 0.12% to 0.15%, and the state also eliminated a \$10 account maintenance fee that previously weighed down the index-based portfolios. The total package makes for one of the best plans in the industry, leading to its upgrade to Gold from Bronze.

In addition, we upgraded Alabama's CollegeCounts 529 Fund to Silver from Bronze. Alabama takes an active role in overseeing the plan, and Union Bank and Trust's involvement increases our confidence that the plan will remain an exceptional choice for the long haul. Investors can choose from three age-based tracks that invest in passive underlying strategies, or they can build customized portfolios from an impressive lineup of 26 active and passive strategies. The plan is not as attractive as Illinois' direct-sold plan, however, as the age-based tracks charge higher fees than Illinois' tracks that invest in passive underlying funds.

2017 Morningstar Analyst Ratings for 529 College Savings Plans

Silver -Rated Plans

	Issuing State	Distribution	Rating Change	2016 Rating
Bright Directions Coll Savings Program	IL	Advisor	--	Silver
CollegeAdvantage 529 Savings Plan	OH	Direct	--	Silver
CollegeAmerica	VA	Advisor	--	Silver
CollegeBound Saver (Direct)	RI	Direct	--	Silver
CollegeCounts 529 Fund	AL	Direct	Upgrade	Bronze
Maryland College Investment Plan	MD	Direct	--	Silver
Michigan Education Savings Program	MI	Direct	--	Silver
MOST Missouri's 529 Plan	MO	Direct	--	Silver
ScholarShare College Savings Plan	CA	Direct	--	Silver
T. Rowe Price College Savings Plan	AK	Direct	--	Silver

Two New Morningstar Medalists

We also upgraded four advisor-sold plans. Ohio's BlackRock CollegeAdvantage 529 plan made a number of improvements during the last year. It cut fees meaningfully,

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






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with expenses for the age-based portfolios falling by 17 basis points on average. Moreover, in November 2017, the plan will restructure the age-based portfolios by moving from a stepped approach, which courts market-timing risk by making a number of large single-day asset-allocation shifts, to a progressive process that allows for a smoother transition to bonds from stocks. The plan's rating increased to Bronze from Neutral in light of these changes.

Meanwhile, we raised Colorado's Scholars Choice College Savings Plan's rating to Bronze from Neutral thanks to another year of stability following a program-manager shakeup in 2014. QS Investors became the program manager here after Legg Mason acquired the firm in 2014. Many of Legg Mason's asset-allocation team transitioned to QS, though a couple of departures raised concerns. Nonetheless, the regime change has ultimately not had a meaningful impact on the plan. The underlying fund lineup remains solid, and the plan's age-based options carry very low fees versus advisor-sold peers that invest primarily in active underlying funds.

2017 Morningstar Analyst Ratings for 529 College Savings Plans

Bronze -Rated Plans

	Issuing State	Distribution	Rating Change	2016 Rating
BlackRock CollegeAdvantage 529 Plan	OH	Advisor	Upgrade	Neutral
College Savings Iowa 529 Plan	IA	Direct	--	 Bronze
CollegeBound 529 (Advisor)	RI	Advisor	--	 Bronze
CollegeChoice 529 Direct Savings Plan	IN	Direct	--	 Bronze
CollegeChoice Advisor 529 Savings Plan	IN	Advisor	--	 Bronze
CollegeCounts 529 Fund Advisor Plan	AL	Advisor	--	 Bronze
Connecticut Higher Education Trust	CT	Direct	--	 Bronze
Delaware College Investment Plan	DE	Direct	--	 Bronze
Edvest 529 Plan	WI	Direct	--	 Bronze
Fidelity Arizona College Savings Plan	AZ	Direct	--	 Bronze
Future Scholar 529 (Direct)	SC	Direct	--	 Bronze
MFS 529 Savings Plan	OR	Direct	--	 Bronze
NEST Advisor College Savings Plan	NE	Advisor	--	 Bronze
NEST Direct College Savings Plan	NE	Direct	--	 Bronze
New York's 529 Program (Advisor-Guided)	NY	Advisor	--	 Bronze
New York's 529 Program (Direct)	NY	Direct	Downgrade	 Silver
NextGen College Investing Plan Direct	ME	Direct	--	 Bronze
Scholars Choice College Savings Program	CO	Advisor	Upgrade	Neutral
U.Fund College Investing Plan	MA	Direct	--	 Bronze
UNIQUE College Investing Plan	NH	Direct	--	 Bronze

Off the Lows

Lastly, two advisor-sold plans that we previously rated Negative were upgraded to Neutral. South Dakota's CollegeAccess 529 plan and West Virginia's The Hartford Smart529 College Savings Plan each smoothed the transition to bonds from stocks within the age-based portfolios, and they also lowered fees. Both plans previously had equity step-downs as large as 25 percentage points in the age-based portfolios, but now both tracks have average step sizes of about 10 percentage points. Meanwhile, both plans also cut fees by about 10 to 15 basis points.

2017 Morningstar Analyst Ratings for 529 College Savings Plans

Neutral -Rated Plans	Issuing State	Distribution	Rating Change	2016 Rating
College SAVE	ND	Direct	--	Neutral
CollegeAccess 529	SD	Advisor	Upgrade	Negative
CollegeInvest Direct Portfolio	CO	Direct	Downgrade	 Bronze
Fidelity Advisor 529 Plan	NH	Advisor	--	Neutral
Florida 529 Savings Plan	FL	Direct	--	Neutral
Future Scholar 529 (Advisor)	SC	Advisor	--	Neutral
GIFT College Investing Plan	AR	Direct	--	Neutral
IDeal - Idaho College Savings Program	ID	Direct	--	Neutral
iShares 529 Plan	AR	Advisor	--	Neutral
John Hancock Freedom 529	AK	Advisor	--	Neutral
LearningQuest 529 Program (Direct)	KS	Direct	--	Neutral
Minnesota College Savings Plan	MN	Direct	--	Neutral
National College Savings Program	NC	Direct	--	Neutral
NextGen College Investing Plan Select	ME	Advisor	--	Neutral
NJBEST 529 College Savings Plan	NJ	Direct	--	Neutral
Oklahoma College Savings Plan	OK	Direct	--	Neutral
Oregon College Savings Plan	OR	Direct	--	Neutral
Path2College 529 Plan	GA	Direct	--	Neutral
Pennsylvania 529 Investment Plan	PA	Direct	--	Neutral
Scholar's Edge	NM	Advisor	--	Neutral
Schwab 529 College Savings Plan	KS	Direct	--	Neutral
SSGa Upromise 529 Plan	NV	Direct	--	Neutral
TD Ameritrade 529 College Savings Plan	NE	Direct	--	Neutral
The Hartford SMART529	WV	Advisor	Upgrade	Negative
Tomorrow's Scholar 529 Plan	WI	Advisor	--	Neutral
USAA College Savings Plan	NV	Direct	--	Neutral

2017 Morningstar Analyst Ratings for 529 College Savings Plans

Negative -Rated Plans	Issuing State	Distribution	Rating Change	2016 Rating
Franklin Templeton 529 Coll Savings Plan	NJ	Advisor	Downgrade	Neutral
Ivy Funds InvestEd 529 Plan	AZ	Advisor	--	Negative

Morningstar Analyst Rating Inputs

Since 2012, ratings for 529 plans use the same scale as the Morningstar Analyst Rating for mutual funds. Both Analyst Rating methodologies consider the same five factors to arrive at the final rating, though the 529 ratings reflect the quality of the entire plan--not a single investment, as is the case for the fund rating. To arrive at an Analyst Rating for 529 plans, analysts consider:

- Process: Did the plan hire an experienced asset allocator to design a thoughtful, well-diversified glide path for the age-based portfolios? What suite of investment options is offered?
- People: What is Morningstar's assessment of the underlying money managers' talent, tenure, and resources?
- Parent: Is the program manager a good caretaker of college savers' capital? Is the state managing the plan professionally?
- Performance: Have the plan's options earned their keep with solid risk-adjusted returns over relevant time periods? How is the plan expected to perform going forward?
- Price: Are the investment options a good value?

Want to learn more about your plan's strengths and weaknesses? Go beyond the Morningstar Analyst Rating and read detailed analyses of 62 of the largest 529 plans. Click [here](#) to try a Premium Membership, free for 14 days.

CollegeBound 529 (Advisor)

- Overview
- Analysis
- Options



by

Leo Acheson

Analysis

10/24/2017

The CollegeBound 529 remains a solid pick among advisor-sold plans. Below-average fees and a sensible asset-allocation approach earn the plan a Morningstar

Analyst Rating of Bronze.

In July 2016, Rhode Island overhauled the plan, replacing former program manager AllianceBernstein with Invesco and Ascensus. Invesco manages the plan's investments and distributes the plan nationally, while Ascensus serves as the program manager and recordkeeper.

With an emphasis on capital preservation and maintaining purchasing power, Invesco created a single years-to-enrollment track that has a below-average equity stake across all age cohorts until shortly before college. Unlike some plans' age-based tracks that have steep, sudden step-downs in equities, this plan gradually ratchets down stock exposure. The gradual shifts help college savers avoid the potential of locking in losses from making a big move out of equities after a market dip.

The age-based options invest in a mix of actively and passively managed Invesco strategies, as well as PowerShares exchange-traded funds. Overall, it's a mixed bunch. Invesco Diversified Dividend anchors the equity exposure; the fund's Silver rating reflects analysts' confidence in its prospects. Two fundamentally weighted PowerShares ETFs earn Bronze ratings. However, Invesco Global Growth, Invesco Floating Rate, and Invesco Equally-Weighted S&P 500 earn Neutral ratings.

The plan has a serviceable lineup of stand-alone options but lacks the depth of the nation's most comprehensive advisor-sold plans. Advisors wanting to build customized portfolios may choose from 11 strategies, many of which also serve as holdings in the age-based and static-allocation portfolios.

The age-based portfolios' fees range from 0.82% to 0.94% for the A shares, which compares favorably versus advisor-sold peers. The plan does charge an annual fee of \$20, but there are ways around it. Rhode Islanders skip out on the maintenance fee and get a better deal on the age-based options: They can purchase them for a flat expense ratio of 0.44%. Rhode Island couples can also deduct up to \$1,000 of contributions from their taxable state income. Lower fees and tax benefits make this plan a winner for residents. Nonresidents may also find this plan appealing.

We value your [feedback](#). Let us know what you think.

Morningstar Pillars

Process	Positive
Performance	Neutral
People	Neutral
Parent	Neutral
Price	Positive

CollegeBound Saver (Direct) |

- Overview
-  Analysis
- Options



by
Leo Acheson

Analysis 10/24/2017

Rhode Island residents, who represent about 90% of assets at direct-sold CollegeBound Saver, can access the plan at a very low cost. Considering that, along with the plan's sensible asset-allocation approach and strong underlying investment options, the plan earns a Morningstar Analyst Rating of Silver. Nonresidents should look elsewhere, though, because they must pay much higher fees than residents.

In July 2016, Rhode Island overhauled this plan, replacing former program manager AllianceBernstein with Invesco and Ascensus. Invesco manages the plan's investments and distributes the plan nationally, while Ascensus serves as the program manager and recordkeeper.

With an emphasis on capital preservation and maintaining purchasing power, Invesco created a single years-to-enrollment track that has a below-average equity stake across all age cohorts until shortly before college. Unlike some plans' age-based tracks that have steep, sudden step-downs in equities, this plan gradually ratchets down stock exposure. The gradual shifts help college savers avoid the potential of locking in losses from making a big move out of equities after a market dip.

The age-based options invest primarily in well-regarded Vanguard and iShares index-based strategies, helping the plan earn a Positive People rating. During 2017, the plan replaced iShares Core S&P 500 with iShares Core S&P Total U.S. Stock Market within the age-based portfolios to gain small-cap exposure. Previously, the age-based track lacked exposure to smaller companies.

Do-it-yourself investors can choose from three low-cost, highly diversified target-risk strategies run by Vanguard, as well as eight stand-alone strategies. The single-fund options include many of the underlying strategies featured in the age-based portfolios, as well as a small- and mid-cap index fund, a stable-value fund, and a socially responsible strategy.

The age-based portfolios cost between 9 and 12 basis points for Rhode Island residents, which ranks this plan among the cheapest in the industry. Rhode Island couples can also deduct up to \$1,000 of contributions from their taxable state income, improving this plan's appeal. Out-of-staters must pay an additional 25-basis-point program management fee, making the plan unattractive for nonresidents.

[+] We value your [feedback](#). Let us know what you think.

Morningstar Pillars

Process	Positive
Performance	Neutral
People	Positive
Parent	Neutral
Price	Positive