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## Which 529 Plans Are the Best?

Article published on Mar 18, 2008

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Financial advisors looking for more guidance in selling 529 college savings plans got some helpful data Monday as [savingforcollege.com](#) published its quarterly performance rankings for state-sponsored plans. The rankings were based on one-year and three-year performance.

"The question I hear most from advisors is, 'Which 529 plan is performing the best?'" says Joe Hurley, president and CEO of **Savingforcollege.com**. "And this is our attempt to answer that question."

With little uniformity across state plans, the data serves as an apples-to-apples comparison of investment performance across a subset of portfolios selected based on their mix of stocks, bonds and money market funds. The rankings help advisors put the various choices in context with other attributes such as in-state tax benefits, fees and investment choices.

"It can help advisors justify a particular recommendation," Hurley says. "With a three-year track record, there will be more advisors making these recommendations. It will translate into increased sales."

Advisors largely have been reluctant to sell 529 plans despite a clear need for savings in that area. They grouse that the average account size is too small, the account opening process is too time-consuming and, until recently, there was no guarantee that they'd maintain their tax advantages in a few years.

Still, performance will always be a surefire way to boost sales. In 2007, some of the plans that use more of an actively managed approach scored double-digit returns. "The results show that the actively managed plans performed very well versus the lower-cost index-oriented options," Hurley says. "Programs that use a bedrock equity position have done well."

Among broker-sold 529 plans, South Carolina took the top slot by a wide margin with a percentile score of 14.23, meaning that an average of its representative portfolios was in the top 14.23% of their respective categories.

Arizona grabbed second place with a 23.37 score, while Rhode Island came in third with a 30.85 percentile rank. Rounding out the top five were Nebraska with a 31.97 percentile and Alabama with a 38.44 percentile ranking.

The asset allocation categories [savingforcollege.com](#) used in its research were 100% equity, 80% equity, 60% equity, 40% equity, 20% equity, 100% fixed-income and 100% short-term. The plan composite ranking is determined by the average of its percentile ranking in the seven categories.

### Top 10 Broker-Sold 529 Plans

Three-year performance not including sales charges as of Dec. 31, 2007

State	Plan	Manager
South Carolina	Future Scholar 529 College Savings Plan	Columbia Management
Arizona	InvestEd Plan	Waddell & Reed and Ivy Funds

Rhode Island	CollegeBoundfund	AllianceBernstein
Nebraska	College Savings Plan of Nebraska	Multiple managers
Alabama	Higher Education 529 Fund	Van Kampen
Mississippi	MACS 529 Advisor Program	TIAA-Cref
Maine	NextGen College Investing Plan—Client Select Series	Multiple managers
Nebraska	State Farm College Savings Plan	State Farm
New York	New York 529 College Savings Program—Advisor Plan	Columbia Management/Multiple managers
Alaska	John Hancock Freedom 529	John Hancock

Source: Savingforcollege.com

Within the direct-sold universe, Louisiana's Start college savings program proved to be the top dog in both the one-year and three-year performance rankings.

The Pelican State's 529 plan is known for its low-cost index options offered through the Treasurer's Fund and **Vanguard**. Kansas's **Schwab** 529 plan took second place among direct-sold plans while Alabama, Indiana and Nebraska made up the rest of the top five.

The Louisiana plan is restricted to state residents and is joined by Alabama, South Dakota and Rhode Island as top-performing, resident-only plans. Programs that stood out among those without entry restrictions for the three-year period include Virginia, Utah, Minnesota and Vermont.

### Top 10 Direct-Sold 529 Plans

One-Year Performance Ending Dec. 31, 2007

State	Plan	Manager
Louisiana	Start	Treasurer's Fund and Vanguard
Kansas	Schwab 529	Mutliple fund families
Alabama	Higher Education 529	Van Kampen Funds
Indiana	College Choice	JPMorgan
Nebraska	College Savings Plan	Multiple fund families
Kansas	Learning Quest	American Century and Vanguard
Arizona	Fidelity College Savings	Fidelity
New Hampshire	Unique	Fidelity
Delaware	College Investment Plan	Fidelity
Massachusetts	U. Fund	Fidelity

Source: Savingforcollege.com

While direct plans often charge lower fees, they tend not to gather as many assets as broker-sold plans. "Unless you have advisors involved in the sale of 529 plans, it's going to be difficult to garner a lot of assets," says Andrea Fierstein, managing member of **AKF Consulting**, a firm that advises 529 plan sponsors.

Still, she says the higher fees inherent in advisor-sold plans may be at odds with the state's public policy perspective. Encouraging participation through low-cost options may be more prudent in some cases, whereas in other instances the advice is worth the extra dough.

Ultimately, allowing investors the option to pay up for advice and active management is a good thing, she adds, because it enables investors to choose how they want to go about it.