



## *529 College Savings Plans Picks October 2010*

The stock market has been extremely volatile over the last couple of years and inflation is near zero. However, some costs continue to rise. Health care costs are still skyrocketing and the cost of attending college is still rising fast! The average tuition for last year was up about 6%!! Like it or not, parents and grandparents need to invest in the stock market to help finance the ever-growing future cost of a college education. There is still no better vehicle to save for college than a 529 plan. We hope you find this document helpful when selecting a 529 plan for your children or grandchildren. Please feel free to contact us directly if you have questions on which fund is right for you, how much to invest, or how to allocate your investment. Cojo Bay Advisors will update this report as needed based on changes to the 529 landscape.

The question is which 529 plan is right for you? Savingforcollege.com lists 118 different plans to choose from! The following states offer four or more different plans: Colorado, Illinois, Nebraska, Nevada, Texas, Virginia, and West Virginia. Many of these funds are restricted to residents of their state or only available through brokers. The task of picking the best plan for you is a challenge. Why don't you just ask a broker to pick a fund for you? Broker sold plans usually have higher fees and many have front end loads which are heavy prices to pay in a market environment that many believe will be dismal relative to the recent past.

Currently 32 states, plus the District of Columbia, offer residents a write-off on their state income tax return for at least a portion of their 529 contributions. California is **not** one of them! This report is designed with California residents in mind. However, this information can be applied to any investor that lives in a state that does not offer a tax deduction. The lack of a state deduction is unfortunate but it does allow us to freely select from all the plans offered without the concern of opportunity cost.

We use five main sources for our selection process: Morningstar, SavingforCollege.com, Money Magazine, Kiplinger, and the comments of clients and colleagues about the service provided by the plan administrators. When evaluating the individual plans, we focus on fees & expenses, static portfolio options (including global equity options), three year performance records, etc. Due to the way we advise our clients, we have eliminated plans that can only be purchased through brokers. We believe this selection process will present you with a straight forward list of the best 529 plans available. As always, we are here to help you pick the right plan for your specific needs.

Before you jump ahead to the list of recommended plans, please note the date of this report and remember that in the ever changing world of 529 plans these recommendations could become obsolete at any time. Competition among the many 529 college savings plans has forced many product managers to continue to enhance offerings and reduce fees in order to attract investors. For those of you that have been reading our picks for some time, you might notice that the Nebraska plan is no longer a top choice. However, this does not mean that the Nebraska plan is a poor option. It is just an example of the competitive environment present in this space.

Please note: With so many funds to choose from there is a need to pay particular attention to the exact name of the plans recommended. As referred above, many states offer more than one plan and each plan is very different. For example, in March of 2007 Morningstar mentioned the **Alaska T. Rowe Price College Savings Plan** as one of the better plans available while it listed the **Alaska John Hancock Freedom 529 Plan** as one of the five worst!

Without further delay, here is our list of favorite 529 Plans:

1. Ohio College Advantage 529 Savings Plan
  - a. Program Manager: Ohio Tuition Trust Authority
  - b. Program Distributor: Ohio Tuition Trust Authority
  - c. Enrollment: [www.collegeadvantage.com](http://www.collegeadvantage.com)
  - d. Phone: 800-233-6734
  - e. Maximum Contribution: \$345,000
  - f. Initial Minimum Contribution: \$25 (\$500 for the Firth Third CD option)
  
2. Kansas – Schwab 529 College Savings Plan
  - a. Program Manager: American Century Investment Management, Inc.
  - b. Program Distributor: Charles Schwab & Co. Inc.
  - c. Enrollment: [www.schwab.com](http://www.schwab.com)
  - d. Phone: 866-663-5247
  - e. Maximum Contribution: \$300,000
  - f. Initial Minimum Contribution: \$1,000 (\$50 with AIP)
  
3. Nevada – The Vanguard 529 Savings Plan
  - a. Program Manager: Upromise Investments, Inc.
  - b. Program Distributor: Upromise Investments, & Vanguard Marketing Corp.
  - c. Enrollment: <https://personal.vanguard.com>
  - d. Phone: 866-734-4530
  - e. Maximum Contribution: \$370,000
  - f. Initial Minimum Contribution: \$3,000

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