



### *Cojo Bay Advisors 529 Plan Picks March 2007*

State sponsored 529 college savings plans continue to expand, evolve, and in some cases, dissolve. With the Pension Protection Act of 2006 becoming law, the competition has heated up between the states with positive effects for investors (more options, better investment managers and lower fees).

However, there is a downside to this competitive spirit. The dynamic world of 529 plans have complicated the already difficult chore of selecting a plan to invest in and ensuring that the plan you choose today will still be the best plan for you in the future. Even with the recent closing of plans from the states of Wyoming and South Dakota, there are currently over **80 plans** to choose from offered by 48 states plus the District of Columbia. Cojo Bay Advisors will update this report as needed based on changes to the 529 landscape.

Many states offer a tax deduction for contributions to 529 plans. California is not one of them. This is unfortunate but it does allow us to freely select from all the plans offered without the concern of which funds qualify for a tax deduction.

Before we list our favorite plans, we would like to address our selection process and mention the Coverdell Education Savings Accounts. We use three sources for our selection process: Morningstar, SavingforCollege.com, and the comments of clients and colleagues about the service provided by the plan administrators. 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 529 plans to choose from.

As far as Coverdell Education Savings Accounts (aka Educational IRAs), we like the concept of these plans because they are the only current option for tax-exempt savings for private elementary and secondary school but we worry about the plans' future. Congress, in its infinite wisdom, omitted Coverdell plans from the Pension Protection Act of 2006. Unless these plans are readdressed between now and 2010 the plans will lose most of their usefulness.

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. In addition, please recognize the need to identify the specific name of each of our favorite plans. As referred above, many states offer more than one plan and each plan is very different. For example, Morningstar mentions the **Alaska T. Rowe Price College Savings Plan** as one of the better plans available while it lists the **Alaska John Hancock Freedom 529 Plan** as one of the five worst!

As an example of the spirit of competition and change, California's plan recently fired its manager, TIAA-CREF, and replaced them with Fidelity Investments. This should increase the offering of low fee, high quality funds for investors in the California plan. In addition, the California plan introduced an all-index, age-based option with a low 0.50% fee. It is too early to place this plan in our top picks but don't be surprised to see it listed in future editions of this report.

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

1. College Savings Plans of Maryland – College Investment Plan
  - a. Program Manager: T. Rowe Price Associates, Inc.
  - b. Program Distributor: T. Rowe Price Investment Services, Inc.
  - c. Enrollment: [www.price529.com](http://www.price529.com)
  - d. Maximum Contribution: \$250,000
  - e. Initial Minimum Contribution: \$250
2. Nebraska – TD Ameritrade 529 College Savings Plan
  - a. Program Manager: Union Bank and Trust Company of Nebraska
  - b. Program Distributor: TD Ameritrade, Inc.
  - c. Enrollment: [www.tdameritrade.com](http://www.tdameritrade.com)
  - d. Maximum Contribution: \$300,000
  - e. Initial Minimum Contribution: No Minimum
3. Utah Educational Savings Plan (UESP)
  - a. Program Manager: Utah Higher Education Assistance Authority
  - b. Program Distributor: N/A.
  - c. Enrollment: [www.uesp.org](http://www.uesp.org)
  - d. Maximum Contribution: \$319,000
  - e. Initial Minimum Contribution: No Minimum

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