



## *529 College Savings Plans Picks August 2007*

Just like you learned in Econ 101, competition is good for consumers. This lesson is being realized within the state sponsored 529 college savings plans industry as states continue to expand their offerings and reduce their fees in order to attract investors. Last year's Pension Protection Act of 2006 delivered assurance to financial planners and investors that 529 plans were here to stay and capital has been rushing in. According to Money Magazine, \$5.2 billion flowed into 529 plans during the first three months of 2007 alone. This influx of investment capital has allowed some plans to further reduce their fees due to the economies of scale experienced.

College costs have continued to rise at a much greater rate than the CPI so the question is not if you should invest in a 529 plan. The question is which plan is right for you? 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. The state of West Virginia currently offers 5 different plans to choose from so the task of picking one plan is challenging. 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.

Currently 32 states, plus the District of Columbia, offer residents a write-off on their state 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.

Before we list our favorite plans, we would like to address our selection process and mention the Coverdell Education Savings Accounts. We use four main sources for our selection process: Morningstar, SavingforCollege.com, Money Magazine, 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 529 plans. As always, we are here to help you pick the right plan for your specific needs.

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. For those of you that read our picks from March, you will notice that we have replaced the Nebraska – TD Ameritrade Plan with the College Savings Plan of Iowa. The Nebraska plan is still a good plan and has one of the better selections of investment options out there. However, the plan's fees and expenses have not kept up with many other plans and we can now find acceptable alternatives at cheaper prices. If you own the Nebraska plan and wish to change, please contact us for a suitable replacement. Please remember that you may change plans only once per year. 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, in March 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!

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 has increased 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 still 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. Other attractive plans that may make their way into the top pick category include: the Nevada Vanguard 529 Savings Plan, the Minnesota College Savings Plan, and the Alaska University College Savings Plan.

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

1. Maryland College Investment Plan
  - a. Program Manager: T. Rowe Price Associates, Inc.
  - b. Program Distributor: T. Rowe Price Investment Services, Inc.
  - c. Enrollment: [www.collegesavingsmd.org](http://www.collegesavingsmd.org)
  - d. Maximum Contribution: \$250,000
  - e. Initial Minimum Contribution: \$250
2. College Savings Plan of Iowa
  - a. Program Manager: State Treasurer of Iowa, Upromise Investments, The Vanguard Group
  - b. Program Distributor: State Treasurer of Iowa & The Vanguard Group
  - c. Enrollment: [www.collegesavingsiowa.com](http://www.collegesavingsiowa.com)
  - d. Maximum Contribution: \$239,000
  - e. Initial Minimum Contribution: \$25
3. Utah Educational Savings Plan (UESP) Trust
  - 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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