

# Coromandel Wealth Management



*"The biggest risk is  
not meeting your financial goals."*

Morningstar has just released their [current ratings on the various state 529 plans available to investors](#). Using their familiar Star Rating System, Morningstar has rated the quality of the various 529 plan funds based on features such as: fees, asset allocations, underlying investments, returns, and stewardship practices. Morningstar also reviewed investment strategies for each of the plans' program managers and talked with the states' representatives to determine how they oversee, market, and administer their 529 plans.

What many people do not realize is that they are not limited to the funds offered by their particular state (e.g., in Massachusetts, the Fidelity-managed U.Funds). By using Morningstar's listing of

funds available to residents of each particular state, and then finding the rating of those funds on their new 529 Plan Ratings, it is possible to invest your childrens' college fund assets with a better 529 plan custodian (per Morningstar's ratings) than you have at present.

The steps for evaluating the plans available for residents of your state are given below. The Morningstar resources to which links are provided in the steps below are free; full reports on each particular 529 fund are available through Morningstar's Premium Service.

As always, we welcome your feedback, questions, and referrals.

Sincerely,



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## → Checking Out 529 Plans Available to You

Here are the steps for finding the best Morningstar-rated funds available to you (hyperlinks to the relevant Morningstar Web pages are highlighted in blue in each step):

1. On the map [located at this link](#), either click on your state on the map or select it from the pull-down menu.
2. Underneath the heading "Looking Outside of Your State?", click on the link that says "[Click here to see 529 plans available to \(your state\) residents.](#)" Note the "Issuing States" on the resulting list.
3. Go to the [Morningstar 529 College Savings Plan Screener](#) and set the following filters (by clicking the word "Filter" under each of the column headings):
  1. **Out-Of-State Availability:** Select "Direct" (unless you want to pay an advisor 5.75% to do something that you can easily do yourself).
  2. **Plan Option Rating:** Select 4- and 5-star funds to select only the best funds available.
  3. **Issuing State:** Select any state listed in the column "Issuing State" on the list that resulted from Step 2. (Click on "All" to either clear or select all of the states.)
  4. Note those funds in the resulting list whose "Plan Option" match the "Plan Names" for that state in the Step 2 list.
  5. Note the Star Rating for each of those matching funds. (If no funds appear in the list, then there are probably no 4- or 5-star funds in that state's plan.)
4. Repeat Step 3.3 through 3.5 for each state on the list obtained in Step 2.

To view the ratings of those funds sponsored by your state, set the **Plan Option Rating** to "All" on the table generated in Step 3, and select your state in the **Issuing State** filter.

Detailed reports for each 529 fund are available for Morningstar Premium Subscribers (\$179/year). However, the Star Rating will give you a sense of whether it might make sense to investigate transferring your 529 funds to another state's custodian. Don't be put off by the location of the state that sponsors a particular plan. With the automatic fund transfer systems available to the fund custodians, it is just as easy to invest in an Alaska-sponsored 529 fund as it is to invest in a Massachusetts-sponsored fund.

One final point to note is that [some states](#) provide the 529 plan owner with a state income tax

deduction for contributions to their state's Section 529 plans. (Note: Massachusetts, New Jersey, and New Hampshire are three of the states that do not offer this tax benefit.) If your state does offer a tax deduction for this, then you should weigh the benefit of the deduction against the advantage of moving to a more highly rated 529 fund.

Advisory services offered by Trust Advisory Group, Ltd., a Registered Investment Advisor, (781) 942-5070.