2022 529 Savings Plan Landscape

Morningstar Manager Research
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Executive Summary

The impetus for introducing 529 college savings plans over 20 years ago remains strong: to broaden accessibility to higher education through tax-advantaged investing. Since Morningstar assigned its first forward-looking Analyst Ratings to 529s in 2012, we've witnessed continuous improvements to these tax-advantaged investing plans, from the quality of the investment options to fee reductions.

Contents

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Key Takeaways

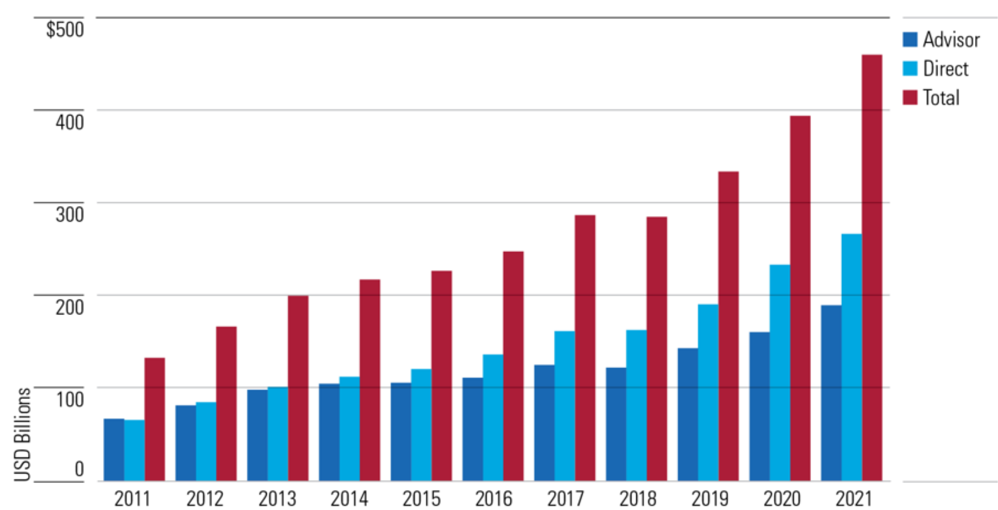
This year's Morningstar's 2022 Landscape on 529 Savings Plans covers five topics:

- Recent 529 Savings Plan Trends: We discuss changes to age-based and target enrollment glide paths and recent fee reductions.
- The Largest Asset Managers in the 529 Industry: Vanguard, Capital Group, and Fidelity Investments continue to maintain their top three spots.
- How Much Are 529 Plans' Tax Benefits Worth? The tax benefits of 529 savings plans, though complicated, are worth knowing.
- Addressing Common 529 Plan Concerns: We answer questions about 529 plan investment choices, fees, impact on financial aid, and withdrawals.
- Morningstar's Top Rated 529 Plans: A review of our ratings methodology and our top picks.

Recent 529 Savings Plan Trends

Assets in 529 plans increased by 17% in 2021, reaching an all-time high of $461 billion by year-end. Since 2011, assets have grown at a fairly steady clip, averaging about 13% a year (see Exhibit 1). Over that same period, growth in direct-sold plans, which tend to carry lower fees, averaged about 15% a year, versus 13% growth in the more expensive advisor-sold plans. Vanguard continues to maintain its lead within 529 plan investment options, holding an approximately 30% market share, followed by Capital Group at 20%. Far behind, but still material players include Fidelity Investments, TIAA-CREF, T. Rowe Price, and Columbia Management, with market shares between 4% and 9%.

Exhibit 1 Assets in 529 Plans, by Distribution Channel



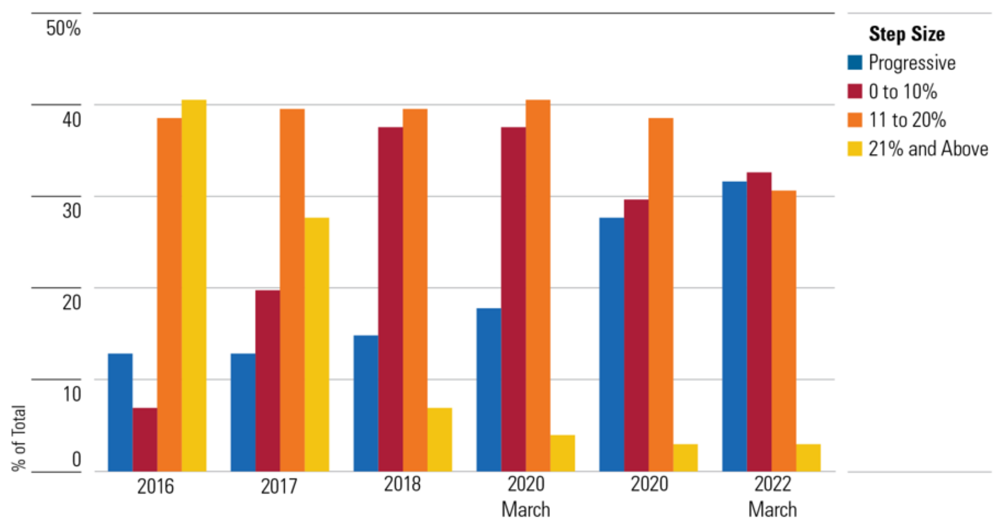
Source: Morningstar Direct. Data as of Dec. 31, 2021.

Glide Paths: An Evolution

The 529 college savings plan was designed to be low maintenance and suitable for both novice and experienced investors. Each plan offers a menu of investment options, including aged-based or target-enrollment series, as well as individual mutual funds, and cash or cashlike accounts. The majority of 529 accountholders opt for the age-based or target-enrollment series because of their ease of use. When the beneficiary is young, the portfolio starts with a large allocation in equities, and then shifts to a more conservative positioning by trimming equities and moving into bonds and cash as the beneficiary approaches college age.

In recent years, many plan providers have improved their series by adopting a smoother glide path (see Exhibit 2). Some have switched to a progressive glide path, which makes small (around 2%) asset-allocation changes, typically four times a year. Others have added portfolios to their age-based series so that the equity step-downs (which take place in one day) are 12.5% or less. Larger equity steps of 20% or more expose investors to market-timing risk. These large shifts can weigh on returns if they were to take place as markets recover after a large decline. In 2016, over 40% of age-based series had at least one equity step of 21% or greater. By the end of March 2022, series with such large step-downs only accounted for 3% of the industry.

Exhibit 2 Age-Based Series by Greatest Equity Step



Source: Morningstar Direct. Data as of March 31, 2022.

In 2020, a large group of plans moved to a progressive glide path. This included six managed by TIAA-CREF, such as the Gold-rated Michigan Education Savings Program and California's Silver-rated ScholarShare College Savings Plan. Another notable switch to progressive took place in Silver-rated The Vanguard 529 College Savings Plan.

The pace of change slowed in 2021, when only four plans moved from a stepped glide path to a progressive one: the Silver-rated Pennsylvania 529 Investment Plan, Utah's Gold-rated my529, Connecticut's Neutral-rated CHET Advisor 529 College Savings Plan, and Colorado's Neutral-rated Scholars Choice Education Savings Plan.

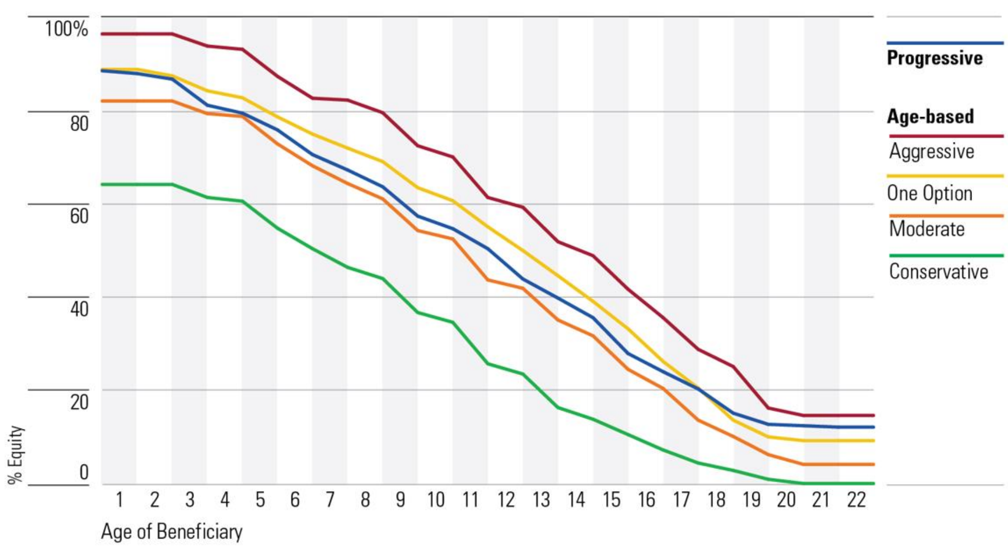
In April 2021, Pennsylvania switched from offering three age-based series (conservative, moderate, and aggressive) to one target-enrollment option and kept the same underlying fund lineup. Utah's my529 made the change in July 2021, going from four age-based series to one target-enrollment option while also trimming the number of underlying funds. For both plans, the end of the glide path courts a little more risk than their prior conservative and moderate tracks. More specifically, the new progressive glide paths generally hold slightly higher equity allocations relative to the two plans' previous moderate options and include an almost 20% equity allocation in the year prior to the target-enrollment year, whereas the prior conservative options had already moved to a zero allocation in equities. 529 investors who want to minimize downside risk just prior to enrollment should consider moving their assets into a cash or cashlike account.

The remaining two plans that moved to a progressive glide path, Connecticut's CHET Advisor 529 College Savings Plan and Colorado's Scholars Choice Education Savings Plan, resulted from a change in program manager to Fidelity Investments and TIAA-CREF, respectively. Both firms employ progressive glide paths in the plans they manage for other states. Industry laggards, with steps of 21% or greater, include the Neutral-rated College Savings Iowa 529 Plan and three nonrated plans: Iowa's IAdvisor 529 Plan, Louisiana's START Saving Program, and Oregon's MFS 529 Savings Plan.

Exhibit 3 shows the average equity allocations of 164 age-based or target-enrollment series, divided into five groups. The first group, progressive, includes 53 series. In this group, each plan typically follows one glide path but may provide choice. For example, plans managed by Fidelity, such as Massachusetts' Bronze-rated U.Fund College Investing Plan, employ one progressive glide path but provide a choice of three series: one that uses all active underlying funds, one that uses all index funds, and one that uses a blend of active and index funds.

The remaining four groups follow an age-based stepped glide path. There are 26 plans that offer one glide path option, depicted as "age-based: one option." The remaining plans allow investors to pick their preferred risk profile by providing aggressive, moderate, and conservative options.

Exhibit 3 Average Glide Paths for Target-Enrollment/Progressive and Age-Based Series



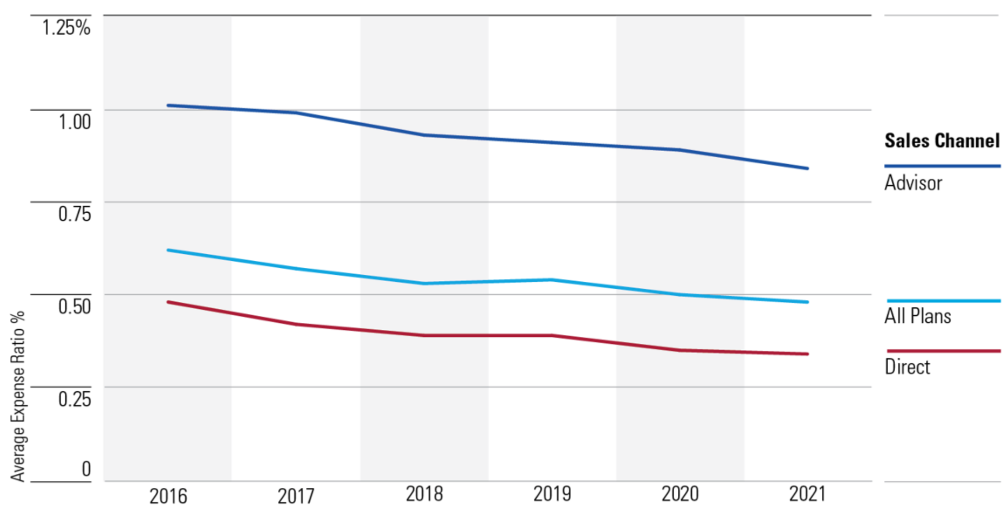
Source: Morningstar Direct. Data as of March 31, 2022.

Plans that offer one glide path option (progressive and one option) have average equity allocations that are slightly higher than the average moderate glide path. While a higher equity allocation earlier in the glide path can potentially result in higher upside in the long run, investors will likely experience more volatility. That said, in 2020, during and immediately after the pandemic-related market slide, 529 investors appeared to stay put, suggesting that investors can weather volatility without panicking. But a large decline in 529 assets for those just about to enter college can be a stressful time for families. The average portfolio for an 18-year-old in a series with a progressive glide path has 15% in equities and at least 30% in bonds that carry duration and/or credit risk. In the first four months of 2022, these portfolios saw average declines of 6% to 7% as both equities and bonds sank. More research into spending patterns during a beneficiary's college years may help determine if more conservative options at the end of the glide path may be beneficial for families.

Fees Continue to Fall

Average fees continue to fall across the investment industry, including 529 savings plans. At the end of 2021, the average fee for an age-based or target-enrollment series was 0.48%, a decline from 0.50% in the year prior. Direct-sold options continue to boast a substantial fee advantage, with average fees of 0.34%, reflecting a decline of 1 basis point from 2020. Meanwhile, advisor-sold plans remain significantly more expensive, with average fees of 0.84%, a decline of 5 basis points from the year prior.

Exhibit 4 Average Expense Ratios of Age-Based and Target-Enrollment Series

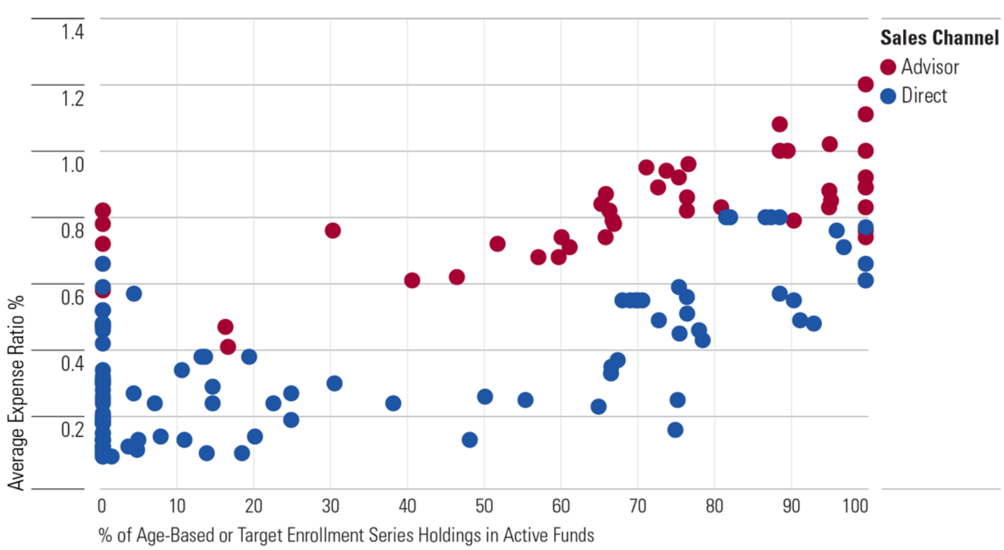


Source: Morningstar Direct. Data as of Dec. 31, 2021.

Since their inception, 529 portfolios have often charged higher fees than comparable mutual funds and target-date series owing to additional layers of fees: one for the program manager of the investments and one for the state offering the plan. Over the years, some plans have reduced fees by trimming the state fees and negotiating with their program manager for lower fees. Plans with a growing and relatively larger asset base can achieve some economies of scale, which can be passed on to investors through lower fees.

In 2021, Georgia's Silver-rated Path2College 529 Plan earned the distinction of offering the cheapest target-enrollment series, with average fees of 0.09%, a significant decline from its prior fees of 0.22%. This is notable as fee cuts tend to be much smaller. That year, the Georgia Higher Education Savings Board decided to waive its state administrative fee of 0.06% and also successfully negotiated lower program manager fees with TIAA-CREF during the contract renewal process. Other notable fee cuts came from Illinois. For its Neutral-rated Bright Directions Advisor-Guided 529 age-based series, the state shifted to lower cost-managers in certain asset classes, resulting in average fee declines of 9 to 12 basis points across its aggressive, moderate, and conservative series. For Illinois' Gold-rated Bright Start Direct-Sold College Savings, the blend series saw an average decline of 3 basis points, partly owing to a partial shift from active to passive for international-equity exposure. Last year, fee cuts also resulted from a change in program manager. Colorado's Scholars Choice Education Savings Plan selected TIAA-CREF to take over its advisor-sold plan, which now charges average fees of 0.77% for its target-enrollment series, a 16-basis-point decline from the year prior.

Exhibit 5 Age-Based and Target-Enrollment Series Fees by Distribution and Allocation in Active Funds



Source: Morningstar Direct. Data as of Dec. 31, 2021.

Advisor-sold plans remain more expensive than direct-sold plans, and Exhibit 5 provides a partial explanation, as it shows that on average, advisor-sold plans hold a higher percentage of actively managed strategies in their age-based or target-enrollment series. The most expensive offering in the 529 industry is Alaska's John Hancock Freedom 529, whose all-active age-based series charges an average fee of 1.21%. While the series was designed by the topnotch multi-asset team at T. Rowe Price, the exorbitant fees limit its Morningstar Analyst Rating to Neutral. The least expensive advisor-sold option with an all-active underlying lineup is Bronze-rated CollegeAmerica, which is sponsored by Virginia. The plan charges average fees of 0.77% for its target-enrollment series.

Another reason for advisor-sold plans' higher fees is the annual distribution (or sales) fees paid to the advisor. Arizona, Maine, and North Dakota each offer an advisor-sold age-based or target-enrollment series that only holds low-cost index funds. The weighted average fees for the underlying index funds range from 0.04% to 0.15%, but after the addition of the management, state, and sales fees, the total expense ratios for these series rise to an expensive range of 0.59% to 0.79%.

Morningstar doesn't prefer active or passive funds for age-based or target-enrollment series, but our research has consistently shown that over time, lower-fee options provide a reliable edge relative to peers. Lower fees present lower performance hurdles, putting less pressure on portfolio managers to take more risk to make up their funds' costs. It's hard even for outstanding asset allocation and talented managers to consistently overcome high costs, especially when their styles are out of favor. Low fees, however, are a dependable advantage that compounds over time and lead to better investor outcomes.

Vanguard Maintains Its Lead in 529 Plans

Assets in 529 savings accounts grew over the course of 2021, to $461 billion from $394 billion, reflecting both investor inflows and healthy market appreciation. Overall, the firms most frequently trusted to manage those assets—Vanguard, Capital Group, and Fidelity—remained the same over the past three years. 529 plans are sponsored by individual states, which partner with asset managers, record keepers, or banks to select the investments and to design and manage the plan. Vanguard, Capital Group, and Fidelity are attractive partners, offering strong and broad lineups of mutual funds and well-resourced multi-asset investment teams with established track records.

Individually, Vanguard is synonymous with diversification and low fees, Capital Group is renowned for its compelling actively managed offerings, and Fidelity brings together its strength in both active and passive investing to offer more choices to investors. Together, these three firms are responsible for over half of 529 assets under management and their proclivities provide an interesting snapshot of the industry.

Exhibit 6 The Top 3 Account for More Than Half of Assets in 529 Plans

Asset Manager	%
Vanguard, Capital Group, Fidelity	60.00
Nuveen, T. Rowe Price, Columbia (4%–8% Market Share)	13.00
Other Asset Managers (Less Than 4% Market Share)	27.00

Source: Morningstar Direct. Data as of Dec. 31, 2021. All market share figures are estimates.

Vanguard

Vanguard has more 529 assets than any other firm, with an estimated 30% market share of assets under management. Out of 86 education savings plans, 15 hold all-Vanguard lineups for the equity and bond exposures in their age-based or target-enrollment series. About 10 other plans have offerings where a majority of assets are in Vanguard funds but also include funds from other families. Across all these plans, the most common holdings are **Vanguard Total Stock Market Index** VSMPX, **Vanguard Total International Stock Index** VTPSX, and **Vanguard Total Bond Market Index** VBMPX. Most also hold **Vanguard Total International Bond Index** VTIFX, and some hold **Vanguard Short-Term Inflation-Protected Securities Index** VTSPX. These funds are diversified and attractively priced, a combination of characteristics that continues to support each of their medalist Morningstar Analyst Ratings.

Exhibit 7 529 Plans with an All-Vanguard Series Typically Hold These Funds

	Ticker	Morningstar Analyst Rating	Morningstar Category
Vanguard Total Stock Market Index	VSMPX	Gold	Large Blend
Vanguard Total International Stock Index	VTPSX	Gold	Foreign Large Blend
Vanguard Total Bond Market Index	VBMPX	Gold	Intermediate Core Bond
Vanguard Total International Bond Index	VTIFX	Silver	Global Bond–USD Hedged
Vanguard Short-Term Inflation-Protected Secs Idx	VTSPX	Gold	Inflation-Protected Bond

Source: Morningstar Direct. Data as of April 30, 2022.

While these plans benefit from this straightforward fund lineup, we have different ratings across plans that hold Vanguard funds in their age-based or target-enrollment series. States that choose Vanguard funds do so because of low fees, simplicity, and broad diversification. But some states do not follow Vanguard's recommendations on how to combine and employ these holdings in an age-based or target-enrollment series. For example, Neutral-rated College Savings Iowa 529 Plan offers four risk tracks, instead of Vanguard's recommended three. The Iowa plan also deviates from Vanguard's glide path of 12.5% equity step-downs, with its Aggressive Growth and Growth options exhibiting large single-day 20% and 30% cuts in equities at the end of the glide path. This exposes investors to market-timing risk and drives our Negative Process rating in this instance. The other two Neutral-rated plans, Arkansas' Brighter Future Direct and North Dakota's College SAVE Plan, are weighed by relatively high fees and weak state oversight.

Exhibit 8 Plans with an All-Vanguard Lineup in Their Age-Based or Target-Enrollment Series

	State	Mstar Analyst Rating	Process Pillar	People Pillar	Parent Pillar	Price Pillar	Total Net Assets $, Mil	# of Age-Based Tracks	Channel
New York's 529 Program	NY	Silver	Positive	Positive	Neutral	Positive	38,360	3	Direct
The Vanguard 529	NV	Silver	Positive	Positive	Negative	Positive	31,412	1	Direct
Pennsylvania 529	PA	Silver	Positive	Positive	Positive	Positive	4,629	1	Direct
MOST Missouri's 529	MO	Silver	Positive	Positive	Positive	Positive	4,198	3	Direct
CollegeInvest	CO	Bronze	Positive	Positive	Neutral	Positive	6,112	3	Direct
National College Savings	NC	Bronze	Positive	Positive	Neutral	Positive	3,428	3	Direct
CollegeCounts 529 Fund	AL	Bronze	Positive	Neutral	Neutral	Positive	940	3	Direct
IDeal	ID	Bronze	Positive	Positive	Positive	Neutral	751	3	Direct
College Savings Iowa 529	IA	Neutral	Negative	Positive	Neutral	Positive	6,385	4	Direct
Brighter Future	AR	Neutral	Positive	Positive	Negative	Negative	940	3	Direct
College SAVE	ND	Neutral	Positive	Positive	Negative	Neutral	647	3	Direct
START Saving for College	LA	—	—	—	—	—	1,388	3	Direct
SMART529	WV	—	—	—	—	—	454	1	Direct
TNStars	TN	—	—	—	—	—	281	1	Direct
HI529	HI	—	—	—	—	—	108	1	Direct

Source: Morningstar Direct. Data as of April 30, 2022.

Capital Group

Capital Group (the parent company of American Funds) has the second-largest market share at 20%, or $93 billion in assets. This is accomplished with one plan, CollegeAmerica, which Capital Group manages with minimal interference from its state partner Virginia. This Bronze-rated plan benefits from Capital Group's dedicated multi-asset specialists and seasoned equity and fixed-income investors.

CollegeAmerica offers a target-enrollment series with a relatively smooth glide path, and features well-regarded actively managed funds, 87% of which received a Morningstar Medalist rating as of May 2022. While CollegeAmerica earns praise for its investment team and underlying processes, this advisor-sold plan is pricey.

Exhibit 9 CollegeAmerica Target-Enrollment Series' Largest Holdings

	Ticker	Morningstar Analyst Rating	Morningstar Category
American Funds Fundamental Investors	RFNGX	Silver	Large Blend
American Funds AMCAP	RAFGX	Gold	Large Growth
American Funds Capital World Growth & Income	RWIGX	Silver	Global Large-Stock Blend
American Funds American Balanced	RLBGX	Silver	Allocation–50% to 70% Equity
American Funds Intermediate Bond Fund of America	RBOGX	Bronze	Short-Term Bond
American Funds Short-Term Bond Fund of America	RMMGX	Neutral	Short-Term Bond

Source: Morningstar Direct. Data as of April 30, 2022.

Fidelity Investments

The firm with the third-largest market share, at about 9%, is Fidelity. Unlike Capital Group's single plan, Fidelity runs a number of plans and has had long, 20-plus-year partnerships with states such as Massachusetts, New Hampshire, and Delaware. In 2021, the firm won two new mandates and now serves as the program manager for Connecticut's direct- and advisor-sold plans. This brings the total number of plans under Fidelity's purview to eight.

Exhibit 10 529 Plans Managed by Fidelity

	State	Mstar Analyst Rating	Process Pillar	People Pillar	Parent Pillar	Price Pillar	Total Net Assets $, Mil	# of Age-Based Tracks	Channel
UNIQUE	NH	Bronze	Positive	Positive	Negative	Neutral	18,856	3	Direct
U.Fund	MA	Bronze	Positive	Positive	Positive	Neutral	8,647	3	Direct
CHET Direct	CT	Bronze	Positive	Positive	Neutral	Neutral	4,175	3	Direct
AZ529	AZ	Bronze	Positive	Positive	Neutral	Neutral	1,242	3	Direct
Fidelity Advisor 529	NH	Neutral	Positive	Positive	Negative	Negative	5,742	1	Advisor
CHET Advisor	CT	Neutral	Positive	Positive	Neutral	Negative	919	1	Advisor
DE529	DE	Bronze	Positive	Positive	Positive	Neutral	748	3	Direct
OklahomaDream529	OK	—	—	—	—	—	239	1	Advisor

Source: Morningstar Direct. Data as of April 30, 3022.

Across these plans, Fidelity offers the same glide path designed by the firm's experienced and well-resourced asset-allocation team. The direct-sold plans provide the option of three tracks (one that uses all actively managed Fidelity funds, one that uses all index funds, and one that uses a mix) and the advisor-sold offers one active track. The underlying holdings are all Fidelity Series funds, many of which are clones of Morningstar Medalists or are managed by Fidelity's top managers such as Jed Weiss for **Fidelity Series International Growth** FIGSX, Ford O'Neill for **Fidelity Series Investment Grade Bond** FSIGX, and Matthew Fruhan for **Fidelity Series Large Cap Stock** FGLGX. Though it manages less 529 assets than either Vanguard or Capital Group, Fidelity provides choice (active, passive, or a blend), and that contributes to its ongoing appeal.

Asset managers trailing behind these three market share leaders in 529 assets are firms such as Columbia, T. Rowe Price, BlackRock, J.P. Morgan, Nuveen, Franklin Templeton, Invesco, and Voya, which each hold market shares of 1% to 8%.

How Much Are 529 Plans' Tax Benefits Worth?

Morningstar provides ratings on more than five dozen 529 savings plans, which are state-sponsored tax-advantaged vehicles that individuals can use to save and invest for future education expenses. Many states offer income tax incentives for those who use an in-state plan, but investors can also consider out-of-state options. Ultimately, tax benefits from 529 education savings plans depend on many factors, such as annual income and contribution levels, which can be quite different across investors. For this reason, tax benefits aren't an explicit input to Morningstar Analyst Rating for 529 Plans, but it behooves investors to consider their unique tax profiles before selecting an option. This article discusses how those tax benefits work and their potential impact.

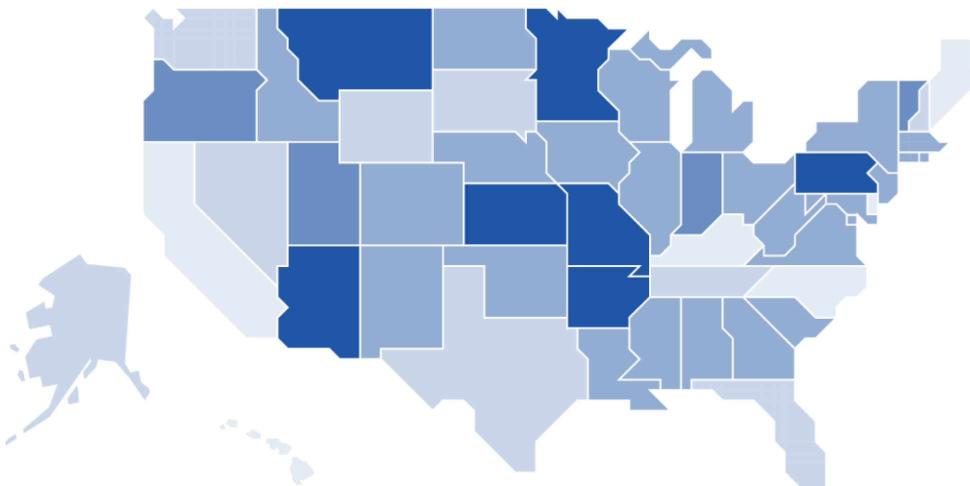
Federal Simplicity

At the federal level, the tax benefits are straightforward, though still not uniform. Money invested in 529 plans grows tax-free, and investors do not pay capital gains taxes if they spend that money on qualified education expenses. Say a married couple regularly put money into an investment account over a number of years, and that amount appreciated by $10,000 by the time the beneficiary needed to take withdrawals. In a non-tax-advantaged account, this $10,000 would be reduced by the 15% long-term capital gains tax ($1,500 in this case) for married couples who earn between $83,351 to $517,200 and file jointly in 2022. Families who earned less than $83,351 would not have been liable for taxes on capital gains, and therefore would not have benefited from this federal tax break. Meanwhile, families who make over $517,200 pay long-term capital gains taxes at a rate of 20%.

State Complications

Tax benefits at the state level are more complicated still. Exhibit 11 depicts states' differing tax benefits.

Exhibit 11 529 Tax Benefits by State



No Benefits	No State Tax	Tax Deduction		Tax Credit	Tax Parity
California	Alaska	Alabama	Missouri	Indiana	Arizona
Delaware	Florida	Arizona	Montana	Oregon	Arkansas*
Hawaii	Nevada	Arkansas	Nebraska	Utah	Kansas
Kentucky	New Hampshire	Colorado	New Jersey***	Vermont	Minnesota**
Maine	South Dakota	Connecticut	New Mexico		Missouri
North Carolina	Tennessee	Georgia	New York		Montana
	Texas	Idaho	North Dakota		Pennsylvania
	Washington	Illinois	Ohio		
	Wyoming	Iowa	Oklahoma		
		Kansas	Pennsylvania		
		Louisiana	Rhode Island		
		Maryland	South Carolina		
		Massachusetts	Virginia		
		Michigan	Washington DC		
		Minnesota	West Virginia		
		Mississippi	Wisconsin		

Source: Morningstar and state websites. Data as of March 31, 2022.
* If joint filers select an out-of-state plan, the maximum deduction is $6,000, for in-state, the maximum is $10,000.
** Joint filers can check if their income level qualifies them for a more generous tax credit.
*** Only for joint filers whose AGI is $200,000 or less.

Where Are 529 Contributions Tax Deductible?

The District of Columbia and 31 states provide additional tax incentives by allowing families to deduct their 529 contributions from their taxable income calculation. There are several inputs to consider when estimating the tax benefits at the state level. For simplicity, let's consider a couple filing jointly with an annual income of $100,000 who deposits $3,000 a year (or $250 a month) into one beneficiary's 529 account. Using each state's personal marginal income tax rate for this hypothetical couple, the annual estimated tax savings range from $48 to $269 (see Exhibit 12). At the low end, Rhode Island's maximum tax benefit is $48 a year, as the state tax deduction limit is low, at $1,000 per taxpayer (the marginal tax rate for a couple making $100,000 is 4.8%). Massachusetts' maximum tax benefit of $100 a year is also low, with a deduction limit of $2,000 per family and 5% flat income tax rate. The remaining states in this group have deduction limits that are higher than $3,000. The District of Columbia and Iowa offer the largest estimated annual tax savings, but that is because those states have among the highest marginal tax rates.

Exhibit 12 Estimated Annual State Income Tax Benefit From a $3,000 Contribution for Joint Filers Earning $100,000

Plan Name	Issuing State	Tax Parity	Marginal Tax Rate (%)	State Tax Deduction Limit ($)	State Tax Deduction Basis	Est. Tax Saving ($)
CollegeCounts 529 Fund Direct-Sold Plan	AL		5.0	10,000	Per Taxpayer	150
Brighter Future Direct Plan	AR	Yes	5.5	10,000	Per Taxpayer	165
AZ529, Arizona's Education Savings Plan	AZ	Yes	3.3	4,000	Per Beneficiary	100
CollegeInvest Direct Portfolio College S	CO		4.6	30,000	Per Beneficiary	137
CHET Direct College Savings Plan	CT		5.0	10,000	Per Taxpayer	150
DC College Savings Plan	DC		8.5	8,000	Per Taxpayer	255
Path2College 529 Plan	GA		5.8	8,000	Per Beneficiary	173
College Savings Iowa 529 Plan	IA		8.5	7,044	Per Beneficiary	256
IDeal - Idaho College Savings Program	ID		6.5	12,000	Per Taxpayer	195
Bright Start Direct-Sold College Savings	IL		5.0	20,000	Per Taxpayer	149
LearningQuest 529 Program (Direct)	KS	Yes	5.7	6,000	Per Beneficiary	171
The Louisiana START Saving For College	LA		3.5	4,800	Per Beneficiary	105
U.Fund College Investing Plan	MA		5.0	2,000	Per Taxpayer	100
MD Sen Edward J. Kasemeyer Clg Inv Plan	MD		4.8	5,000	Per Beneficiary	143
Michigan Education Savings Program	MI		4.3	10,000	Per Taxpayer	128
Minnesota College Savings Plan	MN	Yes	6.8	3,000	Per Taxpayer	204
MOST Missouri's 529 Education Plan	MO	Yes	5.4	16,000	Per Taxpayer	162
Mississippi Affordable College Savings	MS		5.0	20,000	Per Taxpayer	150
Achieve Montana	MT	Yes	6.8	6,000	Per Taxpayer	203
College SAVE Plan	ND		2.0	10,000	Per Taxpayer	61
NEST Direct College Savings Plan	NE		6.8	10,000	Per Taxpayer	205
NJBEST 529 College Savings Plan	NJ		6.4	20,000	Per Taxpayer	191
The Education Plan	NM		4.9	No limit	NA	147
New York's 529 Program (Direct)	NY		6.0	10,000	Per Taxpayer	179
CollegeAdvantage 529 Savings Plan	OH		3.7	4,000	Per Beneficiary	111
Oklahoma College Savings Plan	OK		5.0	20,000	Per Taxpayer	150
Pennsylvania 529 Investment Plan	PA	Yes	3.1	32,000	Per Beneficiary	92
CollegeBound Saver	RI		4.8	1,000	Per Taxpayer	48
Future Scholar 529 (Direct)	SC		7.0	No limit	NA	210
Invest529	VA		5.8	4,000	Per Beneficiary	173
Edvest 529 Plan	WI		5.3	3,560	Per Beneficiary	159
SMART529 Select College Savings Plan	WV		6.5	No limit	NA	195

Source: Morningstar and state websites. Data as of March 31, 2022.

For those who can save a lot more, certain states provide very generous tax benefits. New Mexico, South Carolina, and West Virginia have no deduction limits. If the same family earning $100,000 saves $5,000 a year for each of their three kids, they can deduct $15,000 from their income, resulting in tax savings of $885, $1,050, and $975, respectively. Six states (Colorado, Illinois, Mississippi, New Jersey, Oklahoma, and Pennsylvania) have relatively high deduction limits of $20,000 to $32,000. Eight states

(Arizona, Georgia, Iowa, Kansas, Louisiana, Maryland, Ohio, Virginia) have deduction limits of $4,000 to $8,000, but this is per beneficiary, so the maximum is applied per child, not per taxpayer. So, a family with three beneficiaries can take maximum deductions of $12,000 to $24,000, depending on the state. Pennsylvania and Colorado are by far the most generous, as they offer the highest deduction limits of $32,000 and $30,000, respectively, per beneficiary.

Seven states--Arizona, Arkansas, Kansas, Minnesota, Missouri, Montana, and Pennsylvania--offer a much less restrictive benefit called tax parity, which means that investors are allowed to take a deduction on state income taxes on contributions made to any plan in the United States (most states only allow you to take a deduction if you invest in the state-sponsored plan). Arkansas offers a lower $6,000 state tax deduction limit if a family invests out of state (the max is $10,000 when investing in state), but the remaining six make no distinction between investing in or out of state.

Which States Offer Tax Credits?

Indiana, Minnesota, Oregon, Utah and Vermont provide tax credits, which families can use to offset their state income taxes (see Exhibit 13). These credits, on average, offer greater tax savings to a broader range of families than deductions do. Oregon's maximum tax credit for joint filers is $300, which can be met with a relatively low contribution of $1,200. For those earning $100,000, the percentage of contribution eligible for tax credit is 25%, but this percentage is higher for families with lower incomes (and the percentage is lower for families with higher incomes). Minnesota also offers larger benefits to families earning less, as it offers the option of a deduction or a more generous credit. Like Oregon, the tax credit calculation is adjusted by income level. For those earning less than $80,430, the maximum credit of $500 can be earned with a relatively low contribution of $1,000 (where 50% of the contribution can be taken as a tax credit). The calculations for tax credits in Indiana and Vermont are a little less generous than Minnesota and Oregon, but the dollar amounts are significantly higher than the states with deductions. In Indiana and Vermont, a $3,000 contribution would result in tax credits of $600 and $300, respectively. Indiana has a high $1,000 state tax credit limit, per taxpayer. Vermont's state tax credit maximum is $500, but this is per beneficiary. Utah employs a relatively low 4.95% of contribution to calculate the tax credit, so a $3,000 contribution would result in a tax credit of $149.

Exhibit 13 Estimated Annual State Income Tax Credit From a $3,000 Contribution for Joint Filers Earning $100,000

Name	Issuing State	Morningstar Analyst Rating	Tax Credit on Contributions (%)	State Tax Credit Limit ($)	State Tax Credit Basis	Est. Tax Saving ($)
CollegeChoice 529 Direct Savings Plan	IN	Neutral	20	1,000	Per Taxpayer	600
Minnesota College Savings Plan	MN	Silver	50	500	Per Taxpayer	500
Oregon College Savings Plan	OR	Silver	25	300	Per Taxpayer	300
my529	UT	Gold	5	211	Per Beneficiary	149
Vermont Higher Education Investment Plan	VT	—	10	500	Per Beneficiary	300

Source: Morningstar and state websites. Data as of March 31, 2022.

How to Incorporate Potential Tax Benefits When Deciding Which Plan to Choose?

Fifteen states do not offer state-specific tax incentives, either because it is a state with no income tax or a state that doesn't offer any tax benefits on 529 contributions. These investors, along with those who reside in tax-parity states, have the flexibility to shop around, as they can invest in any plan without forfeiting tax benefits. Morningstar Analyst Ratings can point these investors to the best options. Currently, 14 plans receive an Analyst Rating of Gold or Silver, listed in Exhibit 14.

Exhibit 14 Morningstar Gold- and Silver-Rated 529 Savings Plans

Gold-Rated

IL	Bright Start Direct-Sold College Savings
UT	my529
MI	Michigan Education Savings Program

Silver-Rated

AK	T. Rowe Price College Savings Plan
GA	Path2College 529 Plan
MD	Maryland Senator Edward J. Kasemeyer College Inv. Plan
MO	MOST Missour's 529 Education Plan
NY	New York's 529 Program (Direct)
OR	Oregon College Savings Plan
CA	ScholarShare College Savings Plan
MN	Minnesota College Savings Plan
NV	The Vanguard 529 College Savings Plan
OH	CollegeAdvantage 529 Savings Plan
PA	Pennsylvania 529 Investment Plan

Source: Morningstar Direct. Data as of April 30, 2022.

For those who reside in states with specific tax benefits, Exhibit 15 provides factors and data points to consider when selecting a plan. First, we list the Analyst Rating for the lowest-cost direct-sold plan and the average fees for the plan's cheapest age-based or target-date enrollment series, typically the default choice for most 529 plan users. We then return to our couple earning \$100,000. The dollar value from a \$3,000 contribution is listed in Exhibits 12 and 13. In the tables below, we calculate the maximum tax benefit by contributing at the state's limit, per year, per beneficiary. These calculations, along with the state's tax deduction or tax credit basis (per taxpayer or per beneficiary), can help families estimate the potential tax savings for their situation (such as how much do they plan to contribute and for how many beneficiaries).

Exhibit 15 Factors to Consider When Evaluating the In-State Tax Deduction Benefit

Name	Issuing State	Morningstar Analyst Rating	Avg. Fees (%)	State Tax Deduction Limit ($)	Est. Tax Savings Taking Max Deduction, per Beneficiary ($)	State Tax Deduction Basis
CollegeCounts 529 Fund Direct-Sold Plan	AL	Bronze	0.21	10,000	500	Per Taxpayer
Brighter Future Direct Plan	AR	Neutral	0.53	10,000	550	Per Taxpayer
AZ529, Arizona's Education Savings Plan	AZ	Bronze	0.14	4,000	134	Per Beneficiary
CollegeInvest Direct Portfolio College S	CO	Bronze	0.31	30,000	1,365	Per Beneficiary
CHET Direct College Savings Plan	CT	Bronze	0.14	10,000	500	Per Taxpayer
DC College Savings Plan	DC	Neutral	0.34	8,000	680	Per Taxpayer
Path2College 529 Plan	GA	Silver	0.09	8,000	460	Per Beneficiary
College Savings Iowa 529 Plan	IA	Neutral	0.19	7,044	601	Per Beneficiary
IDeal - Idaho College Savings Program	ID	Bronze	0.49	12,000	780	Per Taxpayer
Bright Start Direct-Sold College Savings	IL	Gold	0.12	20,000	990	Per Taxpayer
Schwab 529 College Savings Plan	KS	Neutral	0.25	6,000	342	Per Beneficiary
The Louisiana START Saving For College	LA	Not Rated	0.13	4,800	168	Per Beneficiary
U.Fund College Investing Plan	MA	Bronze	0.14	2,000	100	Per Taxpayer
MD Sen Edward J. Kasemeyer Clg Inv Plan	MD	Silver	0.58	5,000	238	Per Beneficiary
Michigan Education Savings Program	MI	Gold	0.10	30,000	1,275	Per Taxpayer
Minnesota College Savings Plan	MN	Silver	0.15	3,000	204	Per Taxpayer
MOST Missouri's 529 Education Plan	MO	Silver	0.20	16,000	864	Per Taxpayer
Mississippi Affordable College Savings	MS	Not Rated	0.67	20,000	1,000	Per Taxpayer
Achieve Montana	MT	Not Rated	0.58	6,000	405	Per Taxpayer
College SAVE Plan	ND	Neutral	0.48	10,000	204	Per Taxpayer
NEST Direct College Savings Plan	NE	Bronze	0.15	10,000	684	Per Taxpayer
NJBEST 529 College Savings Plan	NJ	Neutral	0.47	20,000	1,274	Per Taxpayer
The Education Plan	NM	Neutral	0.14	No limit	No limit	NA
New York's 529 Program (Direct)	NY	Silver	0.12	10,000	597	Per Taxpayer
CollegeAdvantage 529 Savings Plan	OH	Silver	0.19	4,000	148	Per Beneficiary
Oklahoma College Savings Plan	OK	Bronze	0.36	20,000	1,000	Per Taxpayer
Pennsylvania 529 Investment Plan	PA	Silver	0.23	32,000	982	Per Beneficiary
CollegeBound Saver	RI	Not Rated	0.05	1,000	48	Per Taxpayer
Future Scholar 529 (Direct)	SC	Bronze	0.10	No limit	No limit	NA
Invest529	VA	Bronze	0.38	4,000	230	Per Beneficiary
Edvest 529 Plan	WI	Bronze	0.20	3,560	189	Per Beneficiary
SMART529 Select College Savings Plan	WV	Not Rated	0.14	No limit	No limit	NA

Source: Morningstar and state websites. Data as of March 31, 2022.

Exhibit 16 Factors to Consider When Evaluating the In-State Tax Credit

Name	Issuing State	Morningstar Analyst Rating	Avg. Fees (%)	Contribution Required to Maximize Tax Credit ($)	State Tax Credit Maximum ($)	State Tax Credit Basis
CollegeChoice 529 Direct Savings Plan	IN	Neutral	0.37	5,000	1,000	Per Taxpayer
Minnesota College Savings Plan	MN	Silver	0.15	1,000	500	Per Taxpayer
Oregon College Savings Plan	OR	Silver	0.30	1,200	300	Per Taxpayer
my529	UT	Gold	0.16	4,260	211	Per Beneficiary
Vermont Higher Education Investment Plan	VT	—	0.39	5,000	500	Per Beneficiary

Source: Morningstar and state websites. Data as of March 31, 2022.

For investors who live in states that provide a tax benefit, especially those who start saving when the beneficiary is very young, the compounding effect of the tax benefits (if the tax savings are deposited into the state's lowest-cost 529 account) may make it worthwhile to invest in-state. Those who save less than $2,000 a year may find the state tax savings less appealing, especially if the state's direct-sold plan carries a Neutral rating and relatively higher fees. These investors might want to consider picking a higher-quality plan outside their home state. But for most middle-class families saving for future education expenses, the federal tax benefits, combined with the state income tax savings (for those living in states that offer income tax benefits), make investing in a 529 plan very sensible choice.

Addressing Common 529 Plan Concerns

What are the investment options available in a 529 college savings plan? Is it like a brokerage account?

While 529 plan offerings differ from state to state, the basic structure is similar. All plans provide an age-based or target-enrollment series, which are set-it-and-leave-it investment options that gradually derisk during the accumulation and savings period. These series can serve as a default choice for most investors, similar to a target-date series for retirement savers. For investors who want to select their own investments, 529 plans also offer a menu of mutual funds (typically one or two dozen), such as a 60/40 balanced fund, an S&P 500 index fund, or more specialized funds such as value, growth, or small-cap funds. Finally, plans provide an FDIC-insured account or a stable-value account as its least risky option.

But unlike brokerage accounts, 529 plans generally do not provide the ability to purchase individual stocks. In fact, families cannot take an active or trading approach to these 529 accounts, as investment changes are only allowed twice a calendar year. Contributions into the account are also invested in your preselected investment option once the check or bank transfer clears. It usually is not possible to deposit the money into a cash account and then decide when to invest.

If you live in a state that does not offer much in the way of tax incentives (see more details in our article about tax benefits), you may want to shop around to find a plan that provides options that match your investment preferences. Some plans, for their age-based or target-enrollment series, use low-cost index funds as underlying holdings, but others may employ a blend approach or provide exposure to a broader range of asset classes. The static individual fund options also vary from plan to plan. Some may offer a short list of index funds, while others may provide a broad mix and include actively managed strategies from well-regarded fund families such as T. Rowe Price, American Funds, and Dimensional Fund Advisors.

Do 529 plans charge a lot of additional fees?

The answer is that it depends. Some 529 plans charge additional account or maintenance fees, but many do not. In our ratings methodology, plans with low fees relative to peers are more attractive, as the hurdle to generating performance is reliably lower than more expensive peers.

Seventeen plans offer target-enrollment or age-based series with very low costs. As of December 2021, the three largest direct-sold plans (as measured by assets under management) were New York's 529 Program (Direct), The Vanguard 529 College Savings Plan (sponsored by Nevada), and Utah's my529.

These plans' target-enrollment or age-based options hold almost the same lineup of underlying funds—**Vanguard Total Stock Market Index** VTSMX, **Vanguard Total International Stock Index** VGTSX, **Vanguard Total Bond Market II Index** VTBIX, and **Vanguard Total International Bond Index** VTIBX. The Nevada and Utah series carry the same fees of 0.14%, while the New York series is slightly cheaper at 0.12%, and each plan does not charge any additional account or maintenance fees. These fees are competitive with those of Vanguard's four LifeStrategy funds, which comprise the same aforementioned index funds (at different weightings) and cost between 0.11% to 0.14%. Exhibit 17 below lists plans that offer series with very low costs.

Exhibit 17 529 Plans with Low-Cost Age-Based or Target-Enrollment Series

Plan Name	Issuing State	Average Fees for Lowest-cost Series (%)
AZ529, Arizona's Education Savings Plan	AZ	0.14
ScholarShare College Savings Plan	CA	0.07
CHET Direct College Savings Plan	CT	0.14
DE529 Education Savings Plan	DE	0.14
Bright Start Direct-Sold College Savings	IL	0.11
The Louisiana START Saving for College	LA	0.09
U.Fund College Investing Plan	MA	0.14
Michigan Education Savings Program	MI	0.10
Minnesota College Savings Plan	MN	0.15
NEST Direct College Savings Plan	NE	0.14
UNIQUE College Investing Plan	NH	0.14
The Education Plan	NM	0.14
The Vanguard 529 College Savings Plan	NV	0.14
New York's 529 Program	NY	0.12
Future Scholar 529 (Direct)	SC	0.10
my529	UT	0.14
SMART529 WV Direct College Savings Plan	WV	0.14

Source: Morningstar Direct. Data as of March 31, 2022.

Conversely, there are many plans that offer series that charge relatively unattractive fees of 0.50% or more. These plans typically carry high state fees and/or high program management fees.

Will investing in a 529 plan impact my aid package?

The short answer is yes, but if you are saving for future tuition and expenses, you should still consider using a 529 plan, as investment gains from the account are not subject to capital gains taxes, if used for qualified expenses. Also, depending on where you live, there are additional tax benefits at the state level if you invest in a state-sponsored plan.

Federal financial aid, which includes both grants and loans, is based on an estimate of what a family can contribute annually from their income and assets. Income is the largest portion of the expected family contribution, typically 20% to 25% of parents' adjusted gross income (but can go as high as 47%). The contribution from assets is assessed at a much lower maximum of 5.64%, and these assets include primarily taxable vehicles such as investment accounts, savings and checking accounts, certificates of deposit, as well as 529 plans. (Retirement accounts, such as 401(k)s, IRAs, and Roth IRAs, and home equity are not included in this calculation.) So, if a family has a 529 account with $10,000, this raises the expected family contribution by at most $564, effectively reducing a federal aid package by the same amount. But aid packages typically include a loan component, so any savings that reduce the need for future loans benefit the student.

We recommend investors consult with their tax specialists regarding their specific situation.

Is it easy to withdraw funds?

Yes. Accountholders can request a withdrawal to pay an education institution or to reimburse themselves for a beneficiary's qualified education expenses. A request can be made online, by phone, or by mail, and payment is issued either via check or electronic bank transfer. Some plans also provide auto pay. Many families pay tuition and fees first, and then reimburse themselves from the 529 plan. No documentation is needed for withdrawals. However, it is important to keep records that prove that a withdrawal is qualified, because in the event of an audit, unqualified withdrawals may translate to paying taxes on those gains. Also, money must be withdrawn from an account in the same period that educational expenses are incurred. When withdrawals begin, the 529 plan administrator will send a 1099-Q form. If the distribution doesn't exceed the amount of the student's qualifying expenses, then accountholders do not have to report any of the distribution as income on their tax returns.

If a beneficiary no longer needs the money in the account (by deciding not to go to school or by winning a generous scholarship, for example), the account owner can name a new qualified beneficiary for the account without incurring federal or state income tax penalties. Qualified beneficiaries are members of the current beneficiary's family, which includes siblings, children, nieces and nephews, their spouses, or a first cousin.

529 Education Savings Plans That Receive Top Marks

During the April tax season, many families review their financial profiles and consider contributions to a tax-advantaged investment account. One such option is a 529 education savings plan. Overseen by individual states and available through two channels—either sold by advisors or available directly to individual investors—they encourage savers to put money aside for future qualified education expenses with some enticing tax advantages. Depending on the state and the plan, contributions may be tax-deductible. While invested in a 529 plan, earnings accumulate tax-free and withdrawals are not taxable when used to pay for qualified education expenses, such as tuition and relevant books, supplies, and equipment.

But with 90 or so plans to choose from, which are the most compelling options? Morningstar rates 62 plans, and only three currently earn a Morningstar Analyst Rating of Gold. This top-level rating is based on an assessment of four underlying pillar inputs: People, Process, Parent, and Price. The individual pillars consider best-in-class industry practices that, when rolled up to the Morningstar Analyst Rating for 529 Plans, reflect our confidence in the plan's potential to provide participants with a thoughtfully structured and risk-aware process that generates compelling performance relative to peers. Plans with Above Average People ratings have skilled investment teams with experience managing multi-asset strategies. For the Process Pillar, we look for plans that follow what we believe to be best practices, offering age-based or target-enrollment options that utilize a well-researched asset-allocation approach and a robust process for selecting underlying investments. The Parent rating is based on our evaluation of the state agency offering the plan and its ability to provide thoughtful oversight and stewardship. The Price rating considers the fees of the investment options that comprise the plan, relative to its appropriate Morningstar Category peer. We emphasize fees charged by a plan's age-based or target-enrollment options, which tend to be the more-popular choice among 529 participants.

The three plans with Gold ratings are available directly to individual investors and are listed in Exhibit 18. Each offers a well-designed age-based or target-enrollment series, which are set-it-and-forget-it investment options that gradually de-risk during the accumulation and savings period. These series can serve as a default choice for most investors, similar to a target-date series for retirement savers. These Gold-rated plans also employ a solid menu of static options of mutual funds and/or exchange-traded funds that provide exposure to individual asset classes and a safe vehicle to park cash, such as an FDIC-insured savings account.

Exhibit 18 Morningstar's Gold-Rated 529 Plans

Name	Issuing State	2020 Rating	Distribution	Average Fee % for Target Enrollment or Age-based Series	Total Net Assets, Dec. 2021, $Bil
my529	UT	Gold	Direct	0.14	21.2
Michigan Education Savings Program	MI	Gold	Direct	0.10	7.7
Bright Start Direct-Sold College Savings	IL	Gold	Direct	0.11 / 0.33*	10.1

Source: Morningstar Direct. * Illinois has an index option and a multifirm blend option.

Utah Offers Flexibility

Utah's my529 has consistently been one of our favorite offerings. The 10-portfolio series employs a progressive glide path, in which the equity allocation is gradually trimmed (four times a year) over an investor's time horizon, starting at 100% equities at age 4 and landing at 10% in the Enrolled portfolio. The underlying lineup of four Vanguard index funds and two principal preservation vehicles provides broad exposure with no frills. This design earns it an Above Average Process rating. This gradual shift is an industry best practice, as it helps education savers avoid the risk of meaningfully shifting out of equities just after a market dip, when there is the potential to lock in losses. The fees for these portfolios are low, at 0.14% to 0.15%.

The my529 team boasts topnotch resources, underpinning a High People rating. A dedicated group of roughly 75 professionals handles everything from portfolio management to recordkeeping. The team also receives support from an investment advisory committee and multiple independent consultants. These additional resources and insights keep the plan ahead of 529 peers. We rate the state parent High: Its centralized oversight structure allows for engaged stewardship of the plan, and the state has earnestly continued to reduce fees.

One distinctive feature that is offered only by the Utah plan is the ability to create a custom series in which investors design their own glide path and select the underlying investments. The investment menu includes 22 options, such as Vanguard index funds and DFA funds that cover broad asset classes, style and size, and strategies with a sustainable investment focus. Given the degree of customization for this option, it is suitable for experienced investors or those who work with an investment advisor. The fees are higher for these portfolios and range from 0.14% to 0.49%.

Michigan Is Straightforward at an Attractive Price

Michigan Education Savings Program is notable for offering an easy-to-use, straightforward series with extremely low average fees of 0.10%. Michigan also employs a progressive glide path, but one slightly flatter than Utah's, as it starts with an 80% equity allocation and lands at 20% by college enrollment. (This can result in some performance differences depending on the market environment.) This shape is influenced by the historical average age of the beneficiary when the account opens. This prudent approach aids investors who may have delayed saving for education expenses and supports a High Process rating. The enrollment-date portfolios hold mostly index funds, with a slightly more diversified lineup relative to Utah, as it also includes REITs, Treasury Inflation-Protected Securities, and high-yield bonds.

This plan was designed via an effective collaboration between the Michigan Bureau of Investments and its dedicated program manager TIAA-CREF, which underpins an Above Average People rating. Michigan, with its investment staff, conducts in-house research and taps participant studies to make informed investment decisions on behalf of beneficiaries. Their dedication to shaping a simple, low-cost plan around their participants' evolving needs also supports a High Parent rating.

Illinois Provides Choice

The Illinois' Bright Start Direct-Sold College Savings Plan offers two different age-based series: one that uses only low-cost Vanguard funds and a multifirm one that employs a blend of active and passive strategies. The index series is cheap, with portfolio fees of 0.11% to 0.12% and the blend portfolios charging 0.20% to 0.41%. The blend series offers a broader mix of asset classes, providing slightly more diversification relative to its index series, as well as those from Michigan and Utah.

The state Treasury office teamed up with Wilshire Associates to design and run this plan. For both series, the glide path is available at three risk levels: aggressive, moderate, and conservative. They start with equity allocations of 100%, 90%, and 80%, respectively. The Utah and Michigan glide paths tend to fall somewhere between Illinois' aggressive and moderate offerings. The Illinois glide path is stepped; this means the equity allocation is trimmed about once every two years, so it is not as smooth as Utah's and Michigan's progressive glide paths. For the index series, the asset-class exposure is similar to that of the Michigan plan. The blend series boasts a strong lineup that includes a number of Gold-rated actively managed funds, such as **Dodge & Cox International Stock** DODFX and **BlackRock High Yield Bond** BHYIX. With six well-designed offerings and an excellent lineup of underlying funds, this plan earns High People and Process ratings. We rate the Parent Above Average, which reflects its solid oversight for this plan, as well as the advisor-sold plan.

Conclusion

All three plans offer a compelling menu of options, but with slight differences. Investors who want to choose their risk level (conservative, moderate, or aggressive) and/or want a mix of index funds and highly regarded active funds in their age-based or target enrollment series might consider using the Illinois plan. Those who want a very low-cost, straightforward target enrollment series can chose the Michigan plan. The flexibility offered by Utah, combined with reasonable fees, can be used by more-experienced investors or those working with a professional financial advisor. M

About Morningstar Manager Research

Morningstar's global manager research team conducts objective, qualitative analysis of managed investment strategies such as mutual funds and exchange-traded funds. Manager research analysts express their views through the Morningstar Analyst Rating, which takes the form of Gold, Silver, Bronze, Neutral, or Negative. The analysts arrive at a strategy's Analyst Rating by assessing key areas including its management team and supporting resources (People Pillar), its investment approach and rationale (Process Pillar), and the investment organization backing the strategy concerned (Parent Pillar). The analysts juxtapose those assessments with the strategy's cost in arriving at a final Analyst Rating, which expresses their conviction in the strategy's ability to outperform a relevant benchmark index or category peers over a market cycle, adjusted for risk. The Morningstar Analyst Rating methodology is forward-looking in nature and applied consistently across geographies and markets. (The Analyst Rating is an opinion, not a statement of fact, and is not intended to be nor is a guarantee of future performance.)

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