

# Best 529 plans to help pay for college

February 1, 2017



A 529 plan is the best way to save for your kid's college. 529 plans -- aka college-savings plans -- allow you, a relative or a friend to put money aside as an investment for a child's college education. The money grows tax free and is spent tax free for eligible college expenses such as tuition, books and fees.

I have just finished my research on all the non-commission 529 plans around the country and the trend from late time is continuing. The 529 plans are steadily better and better in many states. I love how the costs for you are now below the average costs for a mutual fund!

In a handful of states, the only recommended choices are index age-based plans. Some states now have both age-based portfolios with high costs and index-age based plans with low costs. In my current update, I only include plans that charge less than 1% per year to manage your 529 account. The best plans are below 0.4% per year. That means almost none of your money is being diverted to the 529 manager allowing greater savings for your kids' college.

## Here's an explanation of how the 529 plan system works

### One state, many plans

529 plans must be sponsored by a state even though residents of most states can put their money in any state plan. (Just because you invest in the plan of a state where you don't live, that doesn't mean your child will have to eventually go to school in that state.) Even more confusing, a state can sponsor more than one 529 plan. Three states have 5 different plans! I have never found more than one top flight plan in any one state.

When you see your state listed below, make sure you only invest in the exact state plan I show. That's the key. Otherwise you could end up in a stinker of a plan. I have a direct link for you to the good plan in a state and you can usually invest directly online. If you just click on my link below you won't mess up and go to a bad state option!

In total, my 529 Guide includes two lists for you -- a Dean's List with High Honors and my Honor Roll. If your state is on either list, choose it, because there may be state tax benefits that would make it a wiser choice for you. However, **if your state is not listed or you do not qualify for your state tax benefits, put your money in Utah, Iowa, New York, Georgia or Michigan. They are my 5 favorite plans in the country because of extremely low costs. First among equals is Utah, the nation's finest 529.**

### Taking the set it and forget it approach

When you open a 529 account, do it in your name -- not your child's name. Your child should only be listed as a beneficiary. Assets in a 529 plan have very little effect in the financial analysis of most schools because kids are only listed as the beneficiary, not the owner.

Your money in a 529 plan is invested in a pool much like a mutual fund. I recommend that you look at the investment option available in most plans known as the "age-based portfolio." This lets the plan adjust to a more conservative mix of investments as your child gets closer to college age.

With an age-based portfolio, when your child is 2 or 3, the plan may be heavily invested in stocks. As they reach 15 or 16, the plan will have less stocks and more bonds. This adjustment is done automatically by the fund's manager. No action is required on your part. It's true "set it and forget it."

## Save for retirement before college

You and I can't control college costs. We can't control investment returns. However, we can save money to defray college expenses and we can choose low cost plans for our kids 529s.

Yet while wanting to save for your kids' college is great, remember my first rule: You shouldn't save a penny for college unless you are already saving the maximum you can for your own retirement. College can be paid for with grants, loans, scholarships and work. Retirement happens only if you have saved the dough.

What happens if college comes around and your child doesn't need the 529 money? For starters, it can be transferred to any other child and spent tax free. Or if your child qualifies for a "free ride" full scholarship for college, you can withdraw the 529 money and use it for anything and just pay tax on the earnings. And finally, if your child winds up not going to college at all and you just take the money for yourself, you pay the tax on the earnings plus a 10% penalty.

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## Dean's list with high honors:

These are the very best plans in the country. Put your money here if your state isn't listed in the Honor Roll.

State	Plan information
California	The Scholarshare College Savings Plan
Utah	Utah Educational Savings Plan Trust (Vanguard age-based portfolios only)
Iowa	College Savings Iowa
New York	New York's College Savings Program - Direct Sold
Minnesota	Minnesota College Savings Plan
Georgia	Path2College 529 Plan
Michigan	Michigan Education Savings Program
Wisconsin	Edvest 529 College Savings Plan