

# CollegeCounts 529 Fund Advisor Plan |

Overview **Analysis** Options



by Greg Carlson

## Analysis 10/26/2021

Alabama's CollegeCounts 529 Fund Advisor Plan features a relatively smooth glide path and a broad fund menu. But high fees drive a Morningstar Analyst Rating of

Neutral.

Wilshire Associates designed the glide path, drawing on its experience creating similar asset-allocation strategies for other clients. The firm is appropriately resourced but doesn't necessarily offer a competitive edge. The People rating has been downgraded to Average.

The age-based series and the static allocation portfolios hold index funds for core equity and bond exposure, and actively managed funds (some of them Morningstar Medalists) for other subasset classes. The plan offers three age-based tracks--aggressive, moderate, and conservative. Investors experience fairly smooth transitions, with equity exposure declining by 10 percentage points every two years. The moderate track maintains above-average exposure to equities in the early years to build wealth and then trends much closer to peers in later years. The equity and bond sleeves are well diversified. With interest rates low, the plan favors intermediate-term bonds over cash at the end of the glide path. These attributes drive an Above Average Process rating.

Alabama trimmed the program and state fees by 12 basis points in 2020. But total costs for the age-based tracks average 1.11% to 1.15% across share classes, which lands in the most expensive quintile and earns a High Price rating. Alabama residents can deduct up to \$5,000 (per individual filer) in contributions when calculating state income taxes, but unattractive fees still mute the appeal of this plan.

Aside from that price reduction, the plan has not seen any meaningful changes since 2016. While the 529 staff at the state's Treasury office has been stable, recent oversight of the plan has been fairly standard, resulting in an Average Parent rating. Oversight may pick up again with the recent return of Young Boozer as Treasurer; he played an active role in plan oversight during his previous 2011-19 tenure. (His successor, John McMillan, left for the private sector.)

This written analysis references Morningstar's five-point pillar scale. For the People, Process, and Parent Pillars, High and Above Average ratings show as Positive, Average shows as Neutral, and Below Average and Low show as Negative. The inverse is true of our Price Pillar, where High and Above Average ratings show as Negative, Average shows as Neutral, and Below Average and Low show as Positive.

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### Morningstar Pillars

Process	Positive
Performance	N/A
People	Neutral
Parent	Neutral
Price	Negative