Morningstar® 529 Research and Ratings

529 college-savings plans are growing in importance for American families—and they are getting more complex to evaluate. More plans are mixing managers from multiple asset-management firms and changing the investment options' asset allocation over time. Some options have gotten cheaper, but many are still more expensive than comparable mutual funds.

To help investors evaluate 529 plans and investment options, Morningstar has introduced new ratings and tools to help individuals and financial advisors make the most of their college savings dollars. These new features further solidify Morningstar's position as a leader in 529 research and data, which it has provided since 2003. Specifically, Morningstar introduced a new Analyst Rating for more than 50 of the nation's largest 529 plans. Morningstar also issued Morningstar Ratings (better known as star ratings) on the 529 investment options within the plan that have at least three years of performance history.

New Morningstar Qualitative Ratings and Research on 529 Plans

Morningstar's research is featured in reports on more than 50 of the largest 529 plans. The reports feature:

- Morningstar Analyst Rating
- Analyst commentary
- Data on some of the largest options within each plan

The Morningstar Analyst Rating for 529 plans is based on a qualitative assessment of five areas:

- Performance
- Portfolio
- Price
- People
- Program Manager

The ratings will be Top, Above Average, Average, Below Average, and Bottom.

The Morningstar Analyst Rating for 529 Plans is the basis of Morningstar's annual white paper of industrywide trends in 529 plans and other commentary. Morningstar updates the ratings and reports annually.

Benefits of new Analyst Ratings and Reports include:

- Ratings quickly capture Morningstar's view of more than 50 plans which together represent more than 94% of assets in 529 plans.
- Reports concisely address potential risks and rewards of investment options within the plans.
- Reports highlight key data on asset allocation, performance, management and fees for the plans' options.

New Morningstar Ratings for 529 Investment Options

- Each 529 plan investment option is assigned to a new Morningstar 529 category.
- Category methodology is consistent with Morningstar's open-end mutual fund categories.
- Categories take investment objective and asset allocation into account.

529 investment options with at least three years of performance data will receive:

- Morningstar Rating, with a score of 1 to 5 stars
- Morningstar Risk Rating and Morningstar Return Rating, with a score of High, Above Average, Average, Below Average, or Low

Benefits of new Morningstar Ratings for 529 investment

- options include:
  Morningstar's new 529 categories winnow down a universe of 4,000 investment options into meaningful, intuitive peer groups.
- Morningstar Rating is widely recognized for its quantitative analysis of investments' past risk-adjusted returns relative to similar peers.

Morningstar Categories for 529 Invesment Options

529 Option Category Name	Category Primary Benchmark
Age 0–6 Low Equity	Morningstar Moderately Cons Target Risk
Age 7–12 Low Equity	Morningstar Moderately Cons Target Risk
Age 13–18 Low Equity	Morningstar Moderately Cons Target Risk
Age 19+ Low Equity	Morningstar Conservative Target Risk
Age 0–6 Medium Equity	Morningstar Moderately Aggr Target Risk
Age 7–12 Medium Equity	Morningstar Moderately Aggr Target Risk
Age 13–18 Medium Equity	Morningstar Moderately Aggr Target Risk
Age 19+ Medium Equity	Morningstar Moderate Target Risk
Age 0–6 High Equity	Morningstar Aggressive Target Risk
Age 7–12 High Equity	Morningstar Aggressive Target Risk
Age 13–18 High Equity	Morningstar Aggressive Target Risk
Age 19+ High Equity	Morningstar Aggressive Target Risk
Static Large Value	Morningstar Large-Value TR USD
Static Large Blend	Morningstar Large-Core TR USD
Static Large Growth	Morningstar Large-Growth TR USD
Static Mid-Cap Equity	Morningstar Mid-Cap TR USD
Static Small-Cap Equity	Morningstar Small-Cap TR USD
Static Non-US Equity	Morningstar Global GR USD
Static Aggressive Allocation	Morningstar Aggressive Target Risk
Static Moderate Allocation	Morningstar Moderate Target Risk
Static Conservative Allocation	Morningstar Conservative Target Risk
Static Intermediate Bond	Morningstar Intermediate Core TR
Static Short-Term Bond	Morningstar Short-Term Core TR
Static US Government	Morningstar US Govt TR
Static Money Market	USTREAS T-Bill Auction Ave 3 Mon

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