

# 2025 529 Savings Plan Landscape

## Morningstar Manager Research

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## Executive Summary

529 education savings plans help students and their families have better access to higher education through tax-advantaged investing. Since Morningstar assigned its first forward-looking ratings to 529 plans in 2012, we have witnessed the 529 industry evolve in all facets, including the quality of investment options and price. In this annual review, we discuss key observations and summarize the tax benefits of 529 plans. We also address a common question on education savings plans' effect on financial aid and highlight Morningstar's top-rated 529 plans.

## Key Takeaways

- ▶ In 2024, industry assets reached a record high of \$493 billion, an increase of 11.6% from \$442 billion in 2023. Direct-sold plans remain more popular and affordable than advisor-sold ones.
- ▶ The industry is less top-heavy than it was three years ago, but concentration persists, with the three largest asset managers stewarding more than half of all plan assets. In 2024, TIAA-CREF took Fidelity's spot in the top three.
- ▶ More than 80% of the plans have streamlined their age-based or target-enrollment offerings for investors' ease, while few continue to offer more choice for their end investors.
- ▶ 529 accountholders continue to gain from federal tax benefits. State tax benefits vary in form and amount. Three states offer unlimited deductions for 529 contributions in-state, and nine states extend the state tax benefits to contributions made to any plan in the US.
- ▶ While assets in 529 plans do impact financial aid, they likely have a lesser impact than income does. 529 plans and their benefits are still worth considering if saving for future educational expenses.
- ▶ Five plans earned Morningstar Medalist Rating of Gold in 2024: Alaska's T. Rowe Price College Savings Plan, Illinois' Bright Start College Savings Plan, Massachusetts U. Fund College Investing Plan, Pennsylvania's 529 Investment Plan, and Utah's my529.

## Evolution of 529 Plans

Once viewed narrowly as college savings tools, 529 plans have evolved through a series of legislative changes. They are now among the most flexible and tax-efficient financial tools available, covering everything from K-12 education to retirement planning. Whether you're a parent saving for tuition or a recent graduate managing debt, today's 529 plans offer a wide range of strategic uses.

### A Legislative Timeline: Key Expansions That Shaped Today's 529 Plans

Over the past two decades, a series of federal legislative changes have transformed 529 plans from just college savings vehicles into versatile financial tools. Eligible expenses have gradually expanded to include technology, K-12 tuition, vocational training, and student loan repayment. These changes reflect a broader shift in perspective—recognizing education as a lifelong journey and reshaping 529 plans to support that evolving reality.

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#### Exhibit 1 Timeline of Major Legislative Expansions to 529 Plans

Year	Legislation	Key Expansion
2008	Heart Act	Allowed unused 529 funds to be rolled over to an ABLÉ account for disabled beneficiaries.
2010	Small Business Jobs Act	Allowed computers and related tech to temporarily qualify as education expenses.
2014	Tax Increase Prevention Act	Reinstated the above computer-related provisions and retroactively made them effective for tax year 2014.
2015	Path Act	Made tech purchases permanently eligible.
2017	Tax Cuts and Jobs Act	Allowed up to \$10K/year in K-12 tuition to be funded through 529 plans.
2019	Secure Act 1.0	Permitted student loan repayment and apprenticeships.
2022	Secure Act 2.0	Enabled Roth IRA rollovers and employer matching for 529 contributions.
2024	Fafsa Simplification Act	Removed aid penalty for grandparent 529 withdrawals.

Source: Congress.gov. Data as of May 31, 2025.

In addition to funding traditional higher education expenses like tuition, room and board, and fees, 529 plans can now be used for up to \$10,000 per year in K-12 private or religious school tuition. The Secure Act 1.0 made several changes to 529 plans, including covering vocational and career-focused education such as electrician training, cosmetology school, and other trade programs. It expanded the definition of qualified education expenses to include fees, books, supplies, and equipment required for participation in a registered apprenticeship program. The legislation also allowed withdrawals to be used for student loan repayments up to a lifetime limit of \$10,000 per beneficiary or sibling—offering meaningful support for recent graduates carrying education debt.

**Obstacles: Then and Now**

Reforms have also addressed some of the major obstacles that previously limited the appeal of 529 plans. In the past, nonqualified withdrawals faced a 10% penalty and income tax on earnings—still true today, but now easier to avoid thanks to broader qualified uses and rollover options. Overfunded accounts, once difficult to repurpose without penalties, can now be rolled over into a Roth IRA (up to the annual limit and constrained to \$35,000 lifetime, beginning in 2024) if the account has been open for at least 15 years and the funds have been in the account for at least five years. This major change, introduced by Secure 2.0, gives families a way to convert leftover education funds into long-term retirement savings.

The FAFSA Simplification Act of 2024 also addressed a long-standing concern: Previously, distributions from grandparent-owned 529 plans were counted as untaxed income to the student, reducing their eligibility for need-based aid. As of the 2024–25 school year, these distributions no longer affect FAFSA calculations.

**Other Financial Strategies**

Since 2008, under the Heart Act, individuals with disabilities have been able to roll over 529 funds into Able accounts—tax-advantaged accounts designed to cover disability-related expenses while maintaining eligibility for government assistance. Employers are also beginning to include 529 plans in their benefits offerings by making direct contributions to employee accounts or providing retirement plan matches tied to student loan repayment. Additionally, 529 plans offer strategic estate planning advantages: Donors can “front-load” up to five years’ worth of gifts—currently up to \$90,000 per beneficiary (\$180,000 for couples)—without incurring gift tax.

The evolution of 529 plans reflects a broader reimagining of how we approach education, financial planning, and generational wealth. Once confined to the realm of college savings, today’s 529 plans have become dynamic tools that support a lifetime of learning, help manage student debt, contribute to retirement readiness, and even facilitate estate planning. Legislative reforms over the past decade have not only expanded the scope of qualified expenses but also removed key barriers, making 529s more flexible, inclusive, and aligned with the diverse financial needs of modern families. As the financial landscape continues to evolve, the modern 529 plan stands out as a powerful and versatile asset in any long-term planning toolkit.

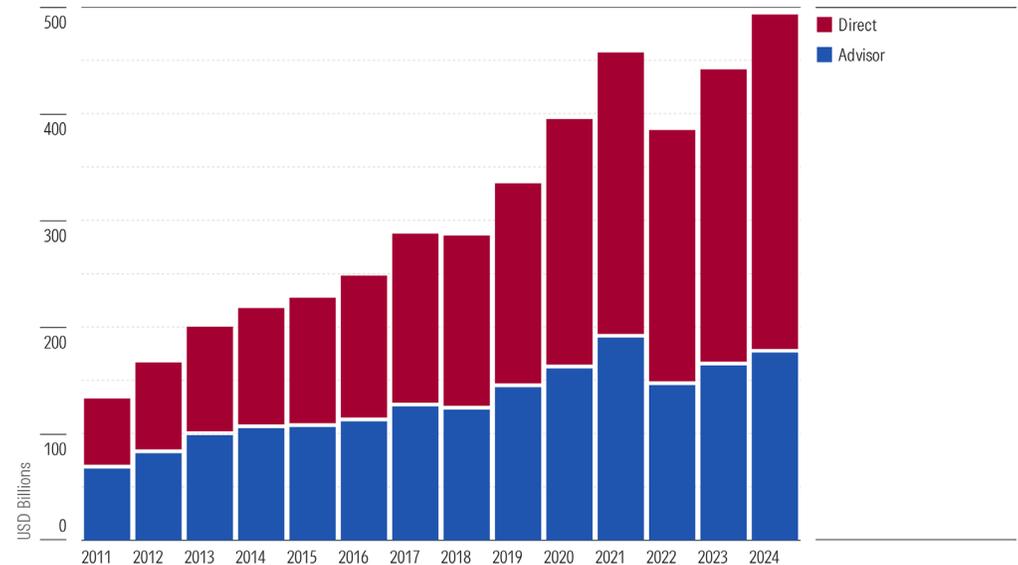
## Industry Observations

In this section, we highlight some of our observations in the 529 college savings plan landscape, based on our data as of year-end 2024.

### 529 Industry Assets Set a Record

Investors' assets in 529 plans reached a record high of \$493 billion in 2024, an 11.6% increase over 2023's \$442 billion. Participants benefited from a strong stock market rally and higher interest rates that benefited cash and equivalents, which tend to play a key role in portfolios near and through college enrollment. The expanded use cases, such as K-12 education, student loan repayment, and apprenticeships, also likely attracted more savers to the plans.

**Exhibit 2** Assets in 529 Plans



Source: Morningstar Direct. Data as of Dec. 31, 2024.

### Investors Continue to Prefer Direct Plans, With One Big Exception

Most 529 investors continue to use plans sold directly to individuals rather than through a financial advisor. Roughly 64% of 529 plan assets were in direct-sold plans at the end of 2024, up from 43% 10 years ago. Direct-sold plans are available to do-it-yourself investors and those who do not have access to a financial advisor. They also tend to be cheaper than advisor-sold plans, effectively increasing the chance of meeting one's savings targets.

One exception to this trend is CollegeAmerica, an advisor-sold plan offered by Virginia and managed by Capital Group. Capital Group's high-quality funds, strong reputation, and distribution capabilities helped the plan exceed \$95 billion in assets, the largest among all 529 plans and more than double that of its runner-up, New York's direct-sold 529 Program.

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**Exhibit 3** The Largest 529 Plans by Asset

Name	Issuing State	Distribution Channel	Plan Assets (USD, Bil)
CollegeAmerica	VA	Advisor	95.5
New York's 529 Program (Direct)	NY	Direct	43.9
The Vanguard 529 College Savings Plan	NV	Direct	37.7
my529	UT	Direct	25.0
UNIQUE College Investing Plan	NH	Direct	22.7
ScholarShare College Savings Plan	CA	Direct	16.5
Bright Start Direct-Sold College Savings	IL	Direct	12.9
CollegeAdvantage 529 Savings Plan	OH	Direct	11.3
NextGen College Investing Plan Select	ME	Advisor	11.0
MD Sen Edward J. Kasemeyer Clg Inv Plan	MD	Direct	10.2

Source: Morningstar Direct. Data as of Dec. 31, 2024.

The industry is quite concentrated, as measured by the amount of assets in the largest plans relative to the overall industry. At the end of 2024, the 10 largest 529 plans by assets under management accounted for 58% of the industry's total assets. For reference, the 10 largest open-end funds (both the mutual fund and exchange-traded fund structures) hold roughly 23% of their industry's assets, and the 10 largest target-date funds hold around 72% of the assets across target-date mutual funds and collective investment trusts. Concentration among 529 plans was more pronounced for advisor-sold plans, the 10 largest of which held roughly 88% of assets among all advisor-sold plans. The 10 largest direct-sold plans represented 63% of the assets among their direct-sold peers. These patterns and levels of concentration are in line with preceding years, with little change.

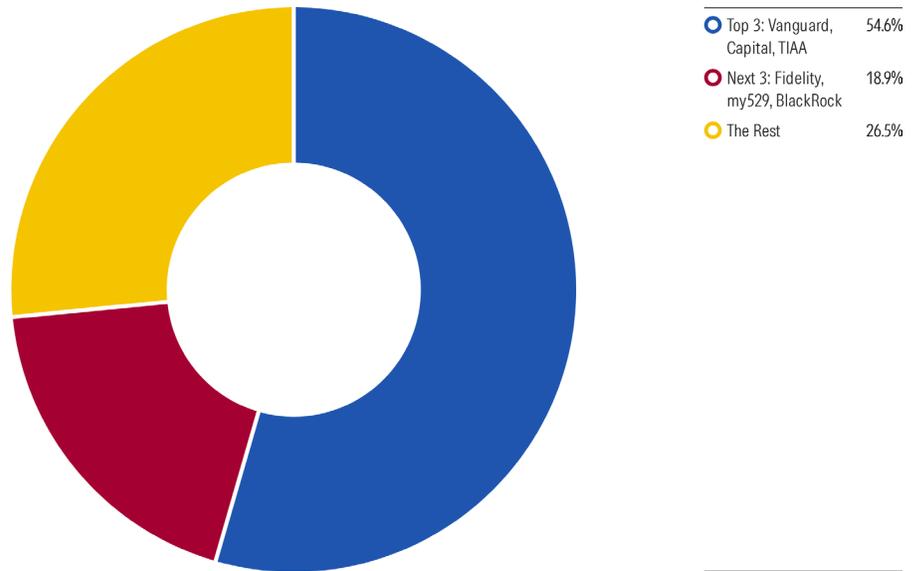
**Vanguard Continues to Be the Most Popular 529 Plan Provider; Fidelity Falls Out of the Top Three**

Although Capital Group manages the largest plan, it's the low-cost champion Vanguard that is the most popular option for 529 plans. Both Vanguard and Capital Group have remained the top two managers of investors' college savings thanks to their broadly attractive mutual fund lineups and modest-to-low fees.

However, the third-largest 529 plan manager is now TIAA-CREF, which surpassed longtime top-three manager Fidelity over the past three years. The firm has taken over substantial plans in recent years, including Illinois' direct-sold Bright Start 529 plan, as states have found the firm's dedicated 529 team and focus on lower costs appealing.

These top three managers control more than half of all 529 plan assets, though the industry looks slightly less top-heavy now. Three years ago, the three largest providers garnered 60% of assets. That number has since declined to roughly 55%.

**Exhibit 4** The Top 3 Managers Still Dominate



Source: Morningstar Direct. Data as of Dec. 31, 2024.

**Vanguard**

The firm, renowned for broad index offerings and low fees, is still the biggest player in 529s, with 24% of total assets. That's down from 30% market share three years ago, but the firm hasn't lost any mandates. Other plans have simply grown faster. Fifteen plans still sport all-Vanguard rosters in their age-based or target-enrollment series, and 10 others are centered on Vanguard funds while offering options from other firms as well. That's a substantial chunk of the 529 landscape, which consists of nearly 90 college savings 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 plans also offer Vanguard Total International Bond Index VTIFX and Vanguard Short-Term Inflation-Protected Securities Index VTSPX, though some states limit exposure to the latter to a static Conservative Income portfolio. This list has remained consistent, which makes sense given the broad, cheap exposure they provide to equity or bond markets. Each earns a strong Morningstar Medalist Rating.

**Exhibit 5** The Most Common Funds in All-Vanguard Series

Name	Ticker	Morningstar Medalist Rating	Morningstar Category
Vanguard Total Stock Mkt Idx Instl Pls	VSMPX	Gold	Large Blend
Vanguard Total Intl Stock Idx InstlPls	VTPSX	Gold	Foreign Large Blend
Vanguard Total Bond Market Idx InstlPls	VBMPX	Gold	Intermediate Core Bond
Vanguard Total Intl Bd Idx Institutional	VTIFX	Silver	Global Bond-USD Hedged
Vanguard Shrt-Term Infl-Prot Sec Idx Ins	VTSPX	Gold	Short-Term Inflation-Protected Bond

Source: Morningstar Direct. Data as of Dec. 31, 2024.

**Exhibit 6** Plans That Have All-Vanguard Age-Based or Target-Enrollment Series

Name	Issuing State	Morningstar Medalist Rating	Morningstar Medalist Rating Process Pillar	Morningstar Medalist Rating People Pillar	Morningstar Medalist Rating Parent Pillar	Net Assets - Plan (USD, Bil)	Number of Age-Based Tracks
PA 529 Investment Plan	PA	Gold	Positive	Positive	Positive	6.0	1
New York's 529 Program (Direct)	NY	Silver	Positive	Positive	Neutral	23.0	1
ISave 529 Plan	IA	Bronze	Neutral	Positive	Neutral	6.4	4
MOST Missouri's 529 Education Plan	MO	Bronze	Neutral	Positive	Neutral	4.6	3
The Vanguard 529 College Savings Plan	NV	Bronze	Positive	Positive	Negative	39.3	1
CollegeCounts 529 Fund Direct-Sold Plan	AL	Neutral	Neutral	Neutral	Neutral	46.3	3
CollegInvest Direct Portfolio College S	CO	Neutral	Neutral	Positive	Neutral	7.6	3
The Louisiana START Saving For College	LA	Neutral	Negative	Neutral	Negative	1.7	3
National College Savings Program	NC	Neutral	Neutral	Positive	Negative	0.2	3
Brighter Future Direct Plan	AR	—	—	—	—	0.4	1
HI529 - Hawaii's College Savings Program	HI	—	—	—	—	0.1	1
IDeal - Idaho College Savings Program	ID	—	—	—	—	0.6	4
College SAVE Plan	ND	—	—	—	—	0.4	4
TNStars College Saving 529 Program	TN	—	—	—	—	0.4	1
SMART529 WV	WV	—	—	—	—	0.6	1

Source: Morningstar Direct. Data as of Dec. 31, 2024. Plans without a Morningstar Medalist Rating are not rated by Morningstar analysts. For 529 plans, High and Above Average Pillar ratings get translated to Positive Pillar ratings; Below Average and Low Pillar ratings get translated to Negative Pillar ratings.

Although each of the plans with all-Vanguard lineups in their age-based or target enrollment series holds most or all of these well-regarded funds, the Morningstar ratings vary. That is largely because not all states design their plans the same way; some don't follow Vanguard's recommendations on how to use such funds. For example, the firm's latest college savings research resulted in a recommendation to offer a target-enrollment series with a progressive glide path. But Colorado's CollegInvest plan has stuck with an age-based series that is more vulnerable to sequence-of-returns risk, one of the reasons the plan earns a Morningstar Medalist Rating of Neutral. North Carolina's National College Savings Program uses a similar scheme, but its Conservative and Moderate age-based tracks are also extremely cautious, cutting out stocks completely when students are 13 and 17 years old, respectively. Louisiana's START Saving program uses Vanguard LifeStrategy funds of funds in its age-based tracks and subjects

participants to equity step-downs of 20 to 40 percentage points, amplifying market-timing risk. It earns a Negative Process rating.

### Capital Group

Capital Group, the advisor to the American Funds, is the second-largest player in the college savings landscape with 19% market share, solely due to one 529 plan—CollegeAmerica, run by the firm for the state of Virginia. The plan earns a Silver rating thanks to an experienced and deep multi-asset group as well as a strong, research-driven approach. The plan's target-enrollment series employs a smooth glide path and is stocked with high-quality funds from the firm. Nearly all of the investment options earn Medalist Ratings of Bronze or better.

#### Exhibit 7 CollegeAmerica Target Enrollment Series' Largest Holdings

Name	Ticker	Morningstar Medalist Rating	Morningstar Category
American Funds Bond Fund of Amer R6	RBFGX	 Gold	Intermediate Core Bond
American Funds Mortgage R6	RMAGX	 Gold	Intermediate Government
American Funds Capital World Gr&Inc R6	RWIGX	 Bronze	Global Large-Stock Blend
American Funds American Mutual R6	RMFGX	 Gold	Large Value
American Funds ST Bd Fd of Amer R6	RMMGX	 Neutral	Short-Term Bond

Source: Morningstar Direct. Data as of Dec. 31, 2024.

### TIAA-CREF

This firm, which has grown into one of the world's largest asset managers since its acquisition of Nuveen in 2014, has moved up the ranks of the 529 industry as it has gained new business and its existing plans have grown. It now garners 11% market share, surpassing Fidelity. As an asset manager, its strengths lie in fixed income and real assets. But in college savings plans, the firm's dedicated 529 team has focused on low-cost offerings such as Nuveen's equity, international-equity, and bond index funds, along with cheap options from other firms such as Vanguard.

Six of the 10 529 plans managed by TIAA-CREF use a consistent set of funds within their target-enrollment or age-based series. But several others go their own way. Advisor-sold plans Colorado Scholars' Choice and Michigan 529 Advisor incorporate several active funds, including Nuveen Core Bond TIBDX, Nuveen Dividend Value FFEIX, and T. Rowe Price Institutional Large Cap Growth TPLGX. Oklahoma strictly uses Nuveen funds, while Illinois' Bright Start plan, which just switched to TIAA-CREF in 2024, has only minimal exposure to Nuveen funds.

**Exhibit 8** TIAA-CREF-Managed 529 Plans

Name	Issuing State	Morningstar Medalist Rating	Morningstar Medalist Rating Process Pillar	Morningstar Medalist Rating People Pillar	Morningstar Medalist Rating Parent Pillar	Net Assets - Plan (USD, Bil)	Number of Age-Based Tracks
Bright Start Direct-Sold College Savings	IL	Gold	Positive	Neutral	Positive	14.0	4
ScholarShare College Savings Plan	CA	Silver	Positive	Neutral	Positive	16.7	3
Path2College 529 Plan	GA	Silver	Positive	Neutral	Positive	6.5	1
Michigan Education Savings Program	MI	Silver	Positive	Neutral	Positive	9.0	1
Minnesota College Savings Plan	MN	Silver	Positive	Neutral	Positive	2.2	1
Oklahoma College Savings Plan	OK	Bronze	Positive	Neutral	Neutral	1.5	1
Edvest 529 Plan	WI	Bronze	Positive	Neutral	Neutral	6.1	1
Scholars Choice Education Savings Plan	CO	Neutral	Positive	Neutral	Neutral	5.5	1
MI 529 Advisor	MI	—	—	—	—	1.4	1
WA529 Invest	WA	—	—	—	—	0.7	1

Source: Morningstar Direct. Data as of Dec. 31, 2024. Plans without a Morningstar Medalist Rating are not rated by Morningstar analysts. For 529 plans, High and Above Average Pillar scores get translated to Positive Pillar ratings; Below Average and Low Pillar scores get translated to Negative Pillar ratings.

The largest 529 managers after the three leaders are Fidelity, my529 (which runs only a large Utah 529 plan), BlackRock, Wilshire, and recordkeeper Ascensus.

529 plans haven't done much hiring and firing of asset managers in recent years. Illinois Bright Start was the only one to do so in 2024. And there were no changes on the investment side in 2023. 2025 looks to be more active: TIAA-CREF took over Washington's plan from Vestwell, J.P. Morgan now runs a Nevada plan previously managed by Putnam, and Vestwell is expected to take over a Vermont plan later this year. TIAA-CREF is also expected to take over Kansas' plan from American Century in 2026.

**Exhibit 9** Plans Changing Hands in 2025

Plan Name	Issuing State	Previous Program Manager	New Program Manager
Future Path 529 College Savings Plan (previously Putnam 529 for America)	NV	Putnam	J.P. Morgan
Vermont's 529 College Savings Plan	VT	Catalis	Vestwell
WA529 Invest	WA	Vestwell	TIAA-CREF

Source: Plan disclosures, Vestwell. Data as of June 30, 2025.

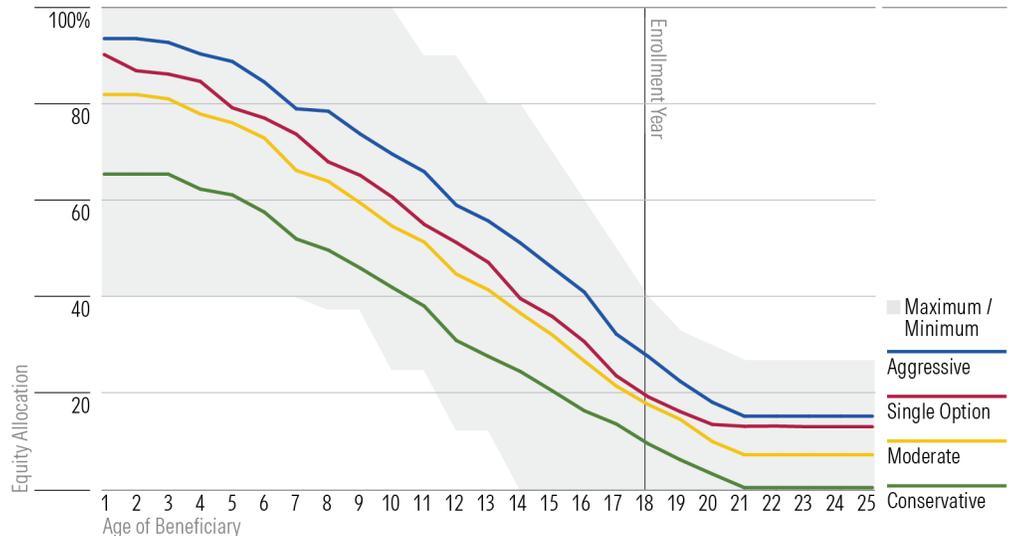
**Most 529 Plans Do the Thinking and Choosing for the Investors**

Many 529 accountholders are hands-off investors who utilize age-based or target-enrollment portfolios. These portfolios start with a large allocation in risky assets (generally stocks) when the beneficiaries are young. As beneficiaries grow older, they transition to a more conservative portfolio by allocating more to bonds and cash or cash equivalents, like stable value funds. Glide paths determine how the allocation shifts to a more conservative positioning as beneficiaries move closer to college enrollment.

One of the more meaningful developments throughout the past several years has been the continued adoption of progressive glide path structures, in which asset allocations adjust gradually within a given enrollment-year portfolio. As this approach becomes more common, we have combined plans that offer a single age-based glide path and those that offer a progressive glide path into one group (labeled “Single Option” in Exhibit 9) for a more holistic view.

A clear majority of plans—more than 80%—offer just one glide path, reinforcing the idea that plan sponsors and investment managers are consolidating around a default recommendation. On average, these start at roughly 91% equity exposure in early years and taper down to around 16% equity exposure by the time the beneficiary turns 18. It falls somewhere between the average “moderate” and “aggressive” glide paths offered by plans that support multiple glide paths.

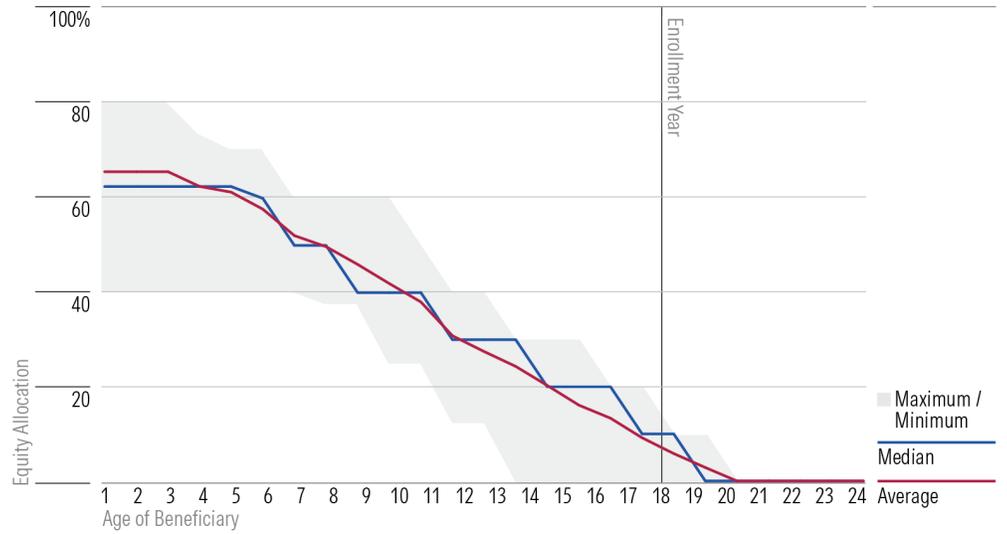
**Exhibit 10** Average Glide Paths for 529 Plans



Source: Morningstar Direct. Data as of April 30, 2025.

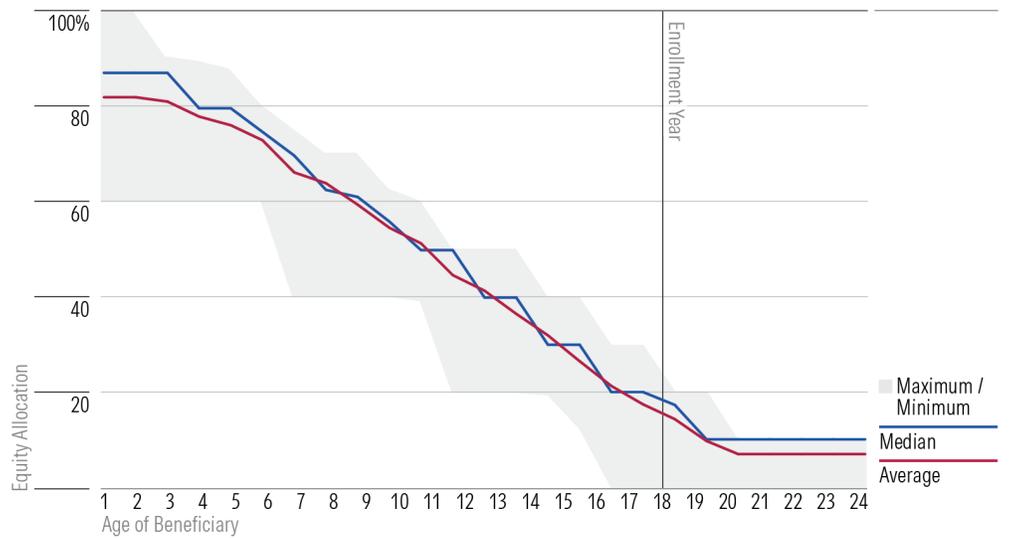
This trend is in part enabled by the popularity of enrollment-year portfolios. With investors selecting a portfolio aligned with a specific date, there’s less need to segment by individual risk tolerance. If investors deem themselves more aggressive or conservative than average investors, they can simply shift their enrollment year.

**Exhibit 11** Conservative Glide Path Range

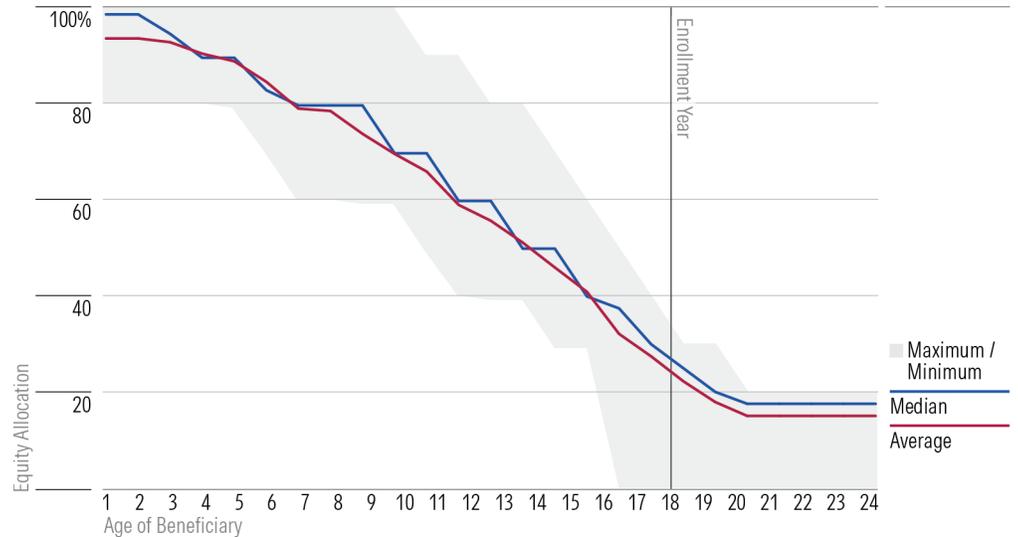


Source: Morningstar Direct. Data as of April 30, 2025.

**Exhibit 12** Moderate Glide Path Range



Source: Morningstar Direct. Data as of April 30, 2025.

**Exhibit 13** Aggressive Glide Path Range

Source: Morningstar Direct. Data as of April 30, 2025.

That said, some plans continue to offer multiple glide paths to accommodate varying preferences. As of this review, about 13 plans offer more than one track based on risk tolerance. Among these are several managed by Vanguard, including plans in Colorado, Iowa, Idaho, Missouri, North Carolina, and Louisiana. Some plans, such as Illinois' Bright Start and Louisiana's START 529, have dropped the conservative option because of limited uptake, retaining only moderate and aggressive tracks.

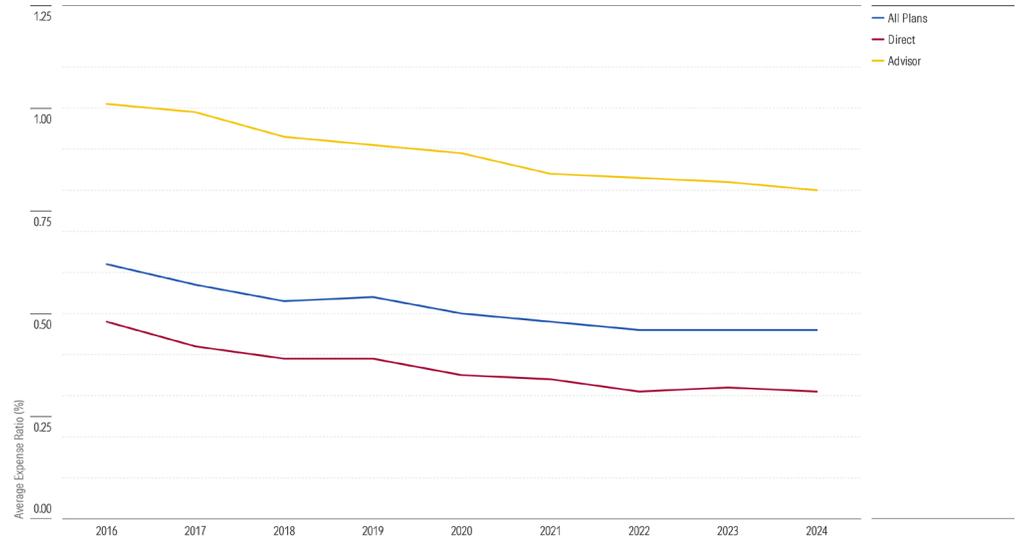
Other plans take a different approach to customization, offering choices not by risk tolerance but by investment style or values. For example, Fidelity-managed plans allow investors to select from passive, active, or blended enrollment-year portfolios. Illinois' Bright Start also lets investors pair their chosen risk level with either a passive or active implementation. Meanwhile, California's ScholarShare 529 offers a dedicated ESG track, allowing families to align their college savings with environmental, social, and governance preferences.

Morningstar does not take a prescriptive view on whether plans should offer a single glide path or multiple tracks. Providing investors with choices—whether by risk tolerance, investment style, or values—can be valuable, particularly for those with clear preferences or more comfort navigating portfolio decisions. At the same time, a single, well-constructed glide path can mitigate decision fatigue and guide less confident investors toward an age-appropriate allocation. Ultimately, the right approach depends on a plan's goals and investor base.

### 529 Plans Remain a Great Deal for Investors

529 plans have meaningfully reduced their fees over the past several years, making it much cheaper to save for education in a tax-deferred way. Although the fee compression slowed somewhat in 2024, 529 plans' overall affordability remains a win to be celebrated.

**Exhibit 14** Average Expense Ratios of Age-Based and Target-Enrollment Portfolios



Source: Morningstar Direct. Data as of Dec. 31, 2024.

Average fees for age-based and target-enrollment 529 portfolios held steady at 0.46% in 2024. Advisor-sold plans extended their multiyear cost slide to a record low 0.80%, while direct-sold plans were unchanged at 0.31%. The pause in fee compression at the cheaper end suggests the industry’s decade-long shift to lower-cost, largely passive funds has captured most of the easy savings, leaving limited room for further cuts. Even so, direct-sold options still boast a sizable edge—nearly 50 basis points cheaper than their advisor-sold counterparts.

## 529 Tax Benefits in 2025

All 529 plan investors receive some tax benefits for education savings, making these accounts generally preferable to taxable alternatives. However, the value of those benefits varies by factors such as income and contribution levels. For this reason, tax advantages are not explicitly factored into Morningstar Medalist Ratings for 529 Plans. Education savers should consider their tax situations, alongside the Morningstar Medalist Ratings, when choosing a 529 plan.

This section outlines how 529 tax benefits work and provides a checklist to help readers decide whether to choose an in-state 529 plan or shop around.

### **529 Federal Tax Break**

Federal tax benefits for 529 plans are straightforward: Investments grow tax-free, and withdrawals for qualified education expenses are exempt from capital gains taxes. This gives 529 plans an advantage over taxable accounts.

The amount of capital gains tax savings is a function of the account holder's taxable income. Say a married couple regularly put money into an investment account over several years, and that amount appreciated by \$10,000 by the time the beneficiary needed to take withdrawals. If the couple filed taxes jointly in 2025 and had their money in a taxable account, this \$10,000 would have been reduced by:

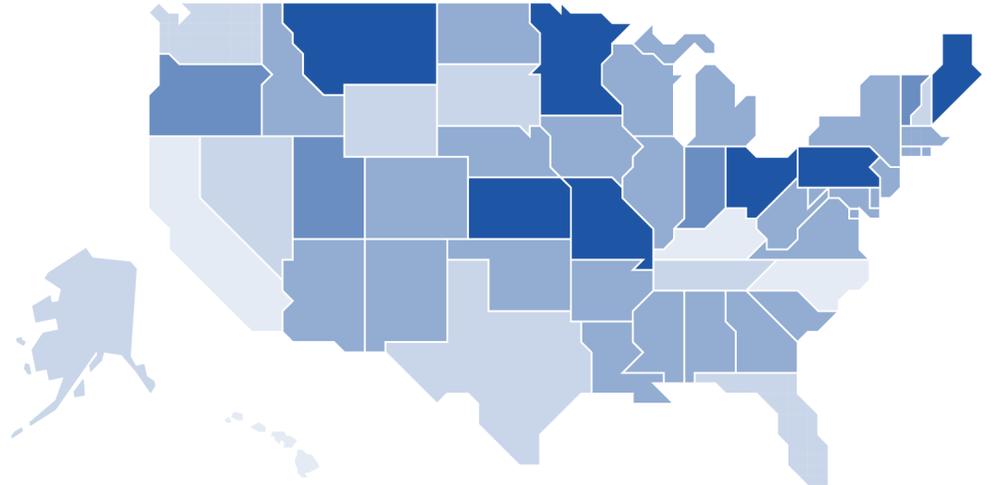
- \$2,000 (20% long-term capital gains tax) for joint filers earning over \$600,050
- \$1,500 (15%) for those earning between \$96,700 and \$600,050

Families (in this case, joint filers) earning less than \$96,700 would not have been liable for taxes on capital gains and therefore would not benefit from a federal tax break.

### **529 State Tax Benefits**

At the state level, 529 tax benefits are more complicated but worth understanding. Depending on the state, the benefit can come in the form of a tax deduction or tax credit. We outline each benefit below.

**Exhibit 15** 529 Tax Benefits by State



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

Source: Morningstar and state websites. Data as of May 31, 2025. \*Minnesota taxpayers may claim either the credit or the deduction, but not both. \*\* If joint filers select an out-of-state plan, the maximum deduction is \$6,000; for in-state, the maximum is \$10,000. \*\*\* Income tax only applies to interest and dividends income. \*\*\*\* Income tax only applies to capital gains income of high earners.

**529 State Tax Credits**

Five states provide tax credits, which families can use to offset their state income taxes. These credits, on average, offer greater tax savings to a broader range of families than deductions do.

Below is a list of those five states. The values in the table assume a joint filer with an adjusted gross income of \$100,000 who contributes \$3,000 a year (or \$250 a month) to a single account.

**Exhibit 16** State Income Tax Credit on 529 Contributions

State	Percentage of Contributions Eligible for Tax Credit (%)	State Tax Credit Limit (\$)	Who Qualifies	State Tax Credit Basis	Estimated Tax Credit Received (\$)
Indiana	20.00	1,500.00	Any contributor	Taxpayer	600
Minnesota	50.00	500.00	Any contributor	Taxpayer	436*
Oregon	25.00	360.00	Any contributor	Taxpayer	360
Utah	4.50	224.00	Account Owner	Beneficiary	135
Vermont	10.00	500.00	Any contributor	Beneficiary	300

Source: Morningstar and respective state websites. Data as of May 31, 2025. \* The maximum credit amount changes based on Minnesota adjusted gross income. In this case, the \$500 limit is reduced by 1% of Minnesota adjusted gross income exceeding \$93,610.

For our hypothetical investor, being an Indiana resident would have brought the largest tax credit. Although Indiana counts less in contributions for tax credit than Minnesota or Oregon, the higher credit limit of \$1,500 means that aggressive savers in Indiana will ultimately receive more back from the state. On the other hand, Utah employs a relatively low 4.50% contribution percentage to calculate the tax credit, so a \$3,000 contribution would result in a tax credit of \$135.

The three other states also offer solid tax benefits. Oregon's maximum tax credit for joint filers is \$360, which can be met with a relatively low contribution of \$1,440. For those earning \$100,000, the percentage of contributions eligible for the 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 \$93,610 or less, 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). Vermont taxpayers with an in-state 529 plan can receive the \$500 upper limit in tax credit with a \$5,000 contribution.

**529 State Tax Deductions**

More than 30 states and the District of Columbia allow families to deduct 529 contributions from their taxable income. For a couple earning \$100,000 and contributing \$3,000 annually, the annual estimated tax savings range from \$48 to \$255, depending on their state's marginal tax rate.

The table below reflects our most recent information for the 2025 tax year. States' marginal tax rates, deduction limits, and deduction bases are subject to change. We assume a joint filer with an adjusted gross income of \$100,000 who is contributing \$3,000 to a single account.

**Exhibit 17** State Income Tax Deduction on 529 Contributions

Issuing State	Tax Parity	Marginal tax rate (%)*	State Tax Deduction Limit (\$)	State Tax Deduction Basis	Est. Tax Saving (\$)*
Alabama		5.00	10,000	Per Taxpayer	150
Arizona	Yes	2.50	4,000	Per Beneficiary	75
Arkansas	Yes	4.40	10,000	Per Taxpayer	132
Colorado		4.40	38,100	Per Beneficiary	132
Connecticut		4.50	10,000	Per Taxpayer	135
Delaware		6.60	2,000	Per Taxpayer	132
Georgia		5.39	8,000	Per Beneficiary	162
Idaho		5.70	12,000	Per Taxpayer	171
Illinois		4.95	20,000	Per Taxpayer	149
Iowa		3.80	11,600	Per Beneficiary	114
Kansas	Yes	5.58	6,000	Per Beneficiary	167
Louisiana		3.00	4,800	Per Beneficiary	90
Maine	Yes	6.75	1,000	Per Beneficiary	68
Maryland		4.75	5,000	Per Beneficiary	143
Massachusetts		5.00	2,000	Per Taxpayer	100
Michigan		4.25	10,000	Per Taxpayer	128
Minnesota	Yes	6.80	3,000	Per Taxpayer	204
Mississippi		4.00	20,000	Per Taxpayer	120
Missouri	Yes	4.70	16,000	Per Taxpayer	141
Montana	Yes	5.90	6,000	Per Taxpayer	177
Nebraska		5.20	10,000	Per Taxpayer	156
New Jersey		5.53	10,000	Per Taxpayer	166
New Mexico		4.90	No limit	-	147
New York		5.50	10,000	Per Taxpayer	165
North Dakota		1.95	10,000	Per Taxpayer	59
Ohio	Yes	3.50	4,000	Per Beneficiary	105
Oklahoma		4.75	20,000	Per Taxpayer	143
Pennsylvania	Yes	3.07	38,000	Per Beneficiary	92
Rhode Island		4.75	1,000	Per Taxpayer	48
South Carolina		6.20	No limit	-	186
Virginia		5.75	4,000**	Per Account	173
Washington D.C.		8.50	8,000	Per Taxpayer	255
West Virginia		4.82	No limit	-	145
Wisconsin		5.30	5,130	Per Beneficiary	159

Source: Morningstar and respective state websites. Data as of May 31, 2025. \*Assumes a joint filer with an adjusted gross income of \$100,000, contributing \$3,000 to a single account. \*\*No limit if age 70 or older.

There are nuances to the tax savings figures. The District of Columbia and Minnesota offer large estimated annual tax savings for our hypothetical couple, but that is because those states have among the highest marginal tax rates for a joint filer with a \$100,000 adjusted gross income. On the other hand, states like Arizona and Pennsylvania offer relatively lower tax savings for our example, but those states

also have lower marginal tax rates. Moreover, these states offer deductions per beneficiary, meaning if a family is saving for more than one child, their deductions will be much higher than what's shown in the example. Some places look unambiguously unattractive, though, such as Rhode Island, whose low tax deduction limit of \$1,000 leads to a 529 investor saving just \$48 a year.

Certain states provide highly generous tax benefits for aggressive savers:

- 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 between \$723 and \$930.
- Of the states that have deduction limits, Pennsylvania and Colorado stand out, as they offer the highest deduction limits of \$38,000 and \$38,100, respectively, per beneficiary.
- Five states (Colorado, Illinois, Mississippi, Oklahoma, and Pennsylvania) have relatively high deduction limits of \$20,000 to \$38,100.
- Eight states (Arizona, Georgia, Kansas, Louisiana, Maryland, Ohio, Virginia, and Wisconsin) have deduction limits of \$4,000 to \$8,000—but this maximum is applied per beneficiary (or in Virginia's case, per account), not per taxpayer. So, a family with three beneficiaries—each with one account—can take maximum deductions of \$12,000 to \$24,000, depending on the state.

The nine states with no income tax—and thus no 529 deductions—are Alaska, Florida, New Hampshire (income tax applies only to interest and dividend income), Nevada, South Dakota, Tennessee, Texas, Washington (income tax applies only to capital gains income of high earners), and Wyoming.

Four states charge income tax but do not have a 529 state tax deduction: California, Hawaii, Kentucky, and North Carolina.

### **Bonus: 529 State Tax Parity**

Nine states—Arizona, Arkansas, Kansas, Maine, Minnesota, Missouri, Montana, Ohio, and Pennsylvania—offer tax parity, which means that investors can deduct their taxable income on contributions made to any plan in the US, whereas most states allow you to take a deduction only 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 maximum is \$10,000 when investing in-state), so there still is some incentive to invest in-state. The remaining eight make no distinction between investing in or out of state.

### **Should You Shop Around for an Out-of-State 529 Plan?**

You might want to pick a high-quality plan outside your home state if one or more of the below apply to you:

- Your state has no income tax (Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington, Wyoming).
- Your state offers no tax benefits (California, Hawaii, Kentucky, North Carolina).

- Your state offers tax parity, letting you claim deductions for any plan (Arizona, Arkansas, Kansas, Maine, Minnesota, Missouri, Montana, Ohio, Pennsylvania).
- You contribute less than \$2,000 annually.

In the first three cases, your tax outcome won't change based on plan selection, so it's worth prioritizing factors like fees and quality of investment options. Morningstar Medalist Ratings can aid in the shopping process—19 plans currently earn Gold or Silver ratings.

In the last case (smaller savers), even generous state tax benefits may have a limited impact on your ability to finance your beneficiary's education. Consider shopping around for a better option, especially if your in-state plan has high fees or a Neutral/Negative rating.

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### Exhibit 18 Gold- and Silver-Rated 529 College Savings Plans

#### Gold-Rated

AK	T. Rowe Price College Savings Plan	PA	Pennsylvania 529 Investment Plan
IL	Bright Start Direct-Sold College Savings	UT	my529
MA	U.Fund College Investing Plan		

#### Silver-Rated

AZ	AZ529, Arizona's Education Savings Plan	MI	Michigan Education Savings Program
CA	ScholarShare College Savings Plan	MN	Minnesota College Savings Plan
CT	CHET Direct College Savings Plan	NH	UNIQUE College Investing Plan
DE	DE529 Education Savings Plan	NY	New York's 529 Program (Direct)
GA	Path2College 529 Plan	OH	BlackRock CollegeAdvantage 529 Plan
MD	MD Sen Edward J. Kasemeyer Clg Inv Plan	OH	CollegeAdvantage 529 Savings Plan
ME	NextGen College Investing Plan Direct	VA	CollegeAmerica

Source: Morningstar. Data as of June 30, 2025.

## FAQ: 529 Plans and Financial Aid

One of the common deterrents to investing through a 529 plan is the concern that assets in a 529 account will reduce financial aid eligibility. While it's true that 529 assets have an impact on financial aid, the effect is likely smaller than you think. The benefits of a 529 plan outweigh the negative impact on financial aid, so it's still worth considering a 529 plan if you are saving for future tuition and expenses. Further, college aid packages typically include a loan component, so any savings that reduce the need for future loans benefit the student.

### **Do 529 Plans Affect Financial Aid?**

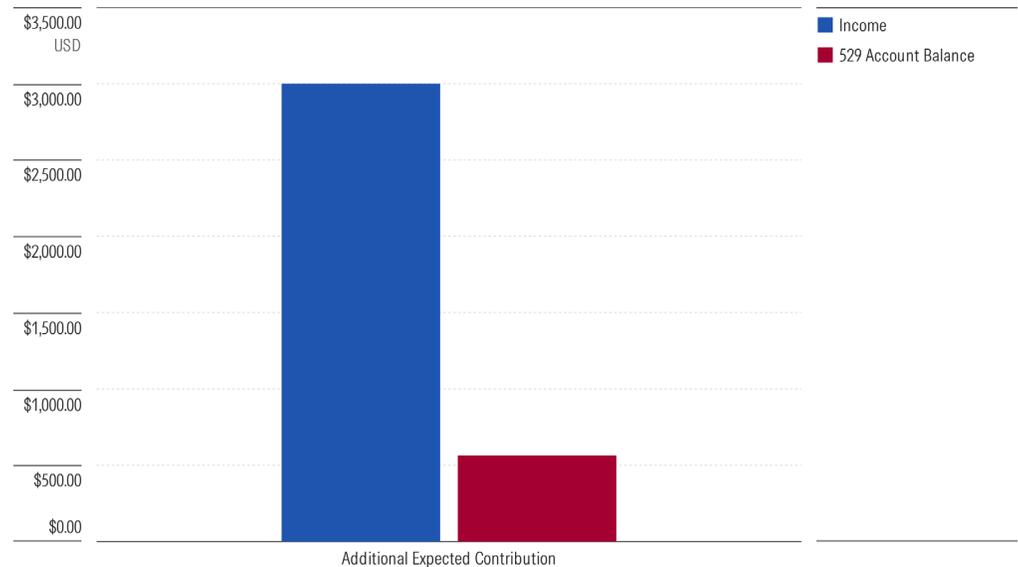
The short answer is yes. An increase in the means to fund higher education naturally means the beneficiary is eligible for less need-based aid.

However, assets in a 529 plan have a lesser impact on financial aid packages than income does. A student's federal financial aid is based on an estimate of what a family can contribute annually from their income and assets. Income is the largest portion of this measurement of a student's ability to pay for college, which is represented by the Student Aid Index, or SAI, on the Free Application for Federal Student Aid, or FAFSA. The SAI replaced the expected family contribution, which was previously used on the application.

Typically, the SAI calculation expects parents to use 25% to 35% of their adjusted available income to cover college costs, though that number can go as high as 47%. Parental contribution from assets, including 529 account balances, is assessed at a much lower maximum of 5.64%. So, if a family has a 529 account with \$10,000, this raises the expected family contribution by at most \$564 and reduces the federal aid package by the same amount.

### **How a 529 Plan Impacts Financial Aid Depends on Who Owns the Account**

The impact of 529 assets on a beneficiary's financial aid package depends on who owns the account. As outlined above, if the plan is owned by the beneficiary's parent, then 5.64% of the account's value is considered in the SAI, which determines a student's financial aid eligibility on the FAFSA. On the other hand, if the plan is owned by the student, then up to 20% of the account value may be considered in calculating financial aid eligibility.

**Exhibit 19** The Impact of a \$10,000 Increase in Income vs. 529 Assets on FAFSA Expected Contributions

Source: Morningstar, US Department of Education. Data as of Nov. 30, 2024. Assumes a 30% income contribution.

With changes to the federal student aid calculation as part of the FAFSA Simplification Act that took effect for the 2024-25 academic year, 529 accounts owned by grandparents or other relatives are not considered student assets and won't affect the beneficiary's financial aid.

**Siblings' 529 Assets Don't Count for Federal Financial Aid**

After the FAFSA Simplification Act, assets in 529 accounts are counted as parental assets only for the beneficiary of the account. That means, if you have 529 accounts set up for your other children, the assets in those accounts are no longer counted toward the expected family contribution. As mentioned above, accounts owned by grandparents or other relatives will also be excluded from determining federal financial aid eligibility.

**Financial Aid Eligibility Differs Between FAFSA and CSS Profile**

The section has focused on FAFSA so far. But there are schools that use the College Scholarship Service, or CSS Profile (primarily private schools), to calculate their financial aid packages. The CSS Profile's formula to calculate aid differs from FAFSA's. For instance, the CSS Profile asks for all 529 accounts owned by the beneficiary's parents, whereas the FAFSA only counts 529 accounts for which the student is the beneficiary. Moreover, the CSS Profile is customized by the institution, so each school can have its own formula to calculate its aid packages.

## Top-Rated 529 Plans

In October 2024, our analysts reviewed 59 plans representing more than 90% of the industry's assets. Of this subset, 32 plans earned Morningstar Medalist Ratings of Gold, Silver, or Bronze.

The 529 industry has made commendable improvements on all fronts, including more sophisticated investment approaches, increased state oversight, and lower fees since we debuted our ratings in 2012. However, there are still plans that stand above the rest, and we are committed to steering educational savers to the best 529 plan options available. The 32 plans earning Gold, Silver, or Bronze Medalist Ratings exhibit some combination of the following attractive features:

- ▶ A well-researched asset-allocation approach.
- ▶ A robust process for selecting and monitoring underlying investments.
- ▶ A well-resourced and experienced investment team.
- ▶ Stable and engaged oversight from the state.
- ▶ Low fees.

Investors in what Morningstar analysts consider to be the best 529 plans should be well-positioned for the future. Below we highlight the plans that earned our highest marks in 2024.

### Gold-Rated Plans of 2024

Five plans earned Medalist Ratings of Gold after standing out as the best 529 plans among those that Morningstar analysts cover. These plans offer exceptional state stewardship of investor capital and well-constructed portfolios managed by competent investment teams.

#### Exhibit 20 Gold-Rated 529 Plans

Issuing State	Plan Name	Ratings Change
Alaska	T. Rowe Price College Savings Plan	Upgrade
Illinois	Bright Start Direct-Sold College Savings	Upgrade
Massachusetts	U.Fund College Investing Plan	Upgrade
Pennsylvania	Pennsylvania 529 Investment Plan	No Change
Utah	my529	No Change

Source: Morningstar Direct. Data as of Oct. 29, 2024.

The valedictorians included three upgrades: Alaska's T. Rowe Price College Savings Plan, Illinois' Bright Start Direct-Sold College Savings Plan, and Massachusetts' U.Fund College Investing Plan.

Under our methodology for evaluating 529 plans, which was updated in 2024, ratings are primarily driven by the plans' Process, People, and Parent ratings, especially if they sport reasonably low fees that are close to the industry median. This change resulted in Alaska and Massachusetts' direct-sold plans rising to the top tier. Competent and well-resourced teams at T. Rowe Price (Alaska) and Fidelity (Massachusetts) manage the portfolios and offer a comprehensive menu that retail investors can easily navigate.

Illinois, while earning an Average People rating on its direct-sold plan, earned a High Process mark for offering compelling investment options that are also highly cost-effective. Notably, the state offers a wide range of high-quality investment options across multiple firms, compared with some peers whose offerings are restricted to a single asset manager. All three states diligently and aggressively advocate for their investors.

Utah and Pennsylvania retained their Gold ratings from 2023, but they did not rest on their laurels. On top of its well-designed and cost-effective menu, Utah's my529 plan continues to offer its unique, custom age-based portfolios that allow investors to build their own glide paths using Vanguard and DFA funds. While the custom options can be misused, the my529 team has placed guardrails and behavioral nudges to steer investors away from overly expensive or niche portfolios.

The Pennsylvania 529 Investment Plan continues to benefit from its topnotch state oversight. The Pennsylvania Treasury Department has built an impressive record of effective governance, including a successful negotiation with its investment manager and program manager that will lead to accelerated fee reductions as the plan's assets grow. Its well-defined plans for career development and succession planning help future-proof the oversight process and ensure continuity.

### **Be Careful Not to Forego Tax Benefits**

As described in the previous section, all education savers using 529 plans benefit from tax-free growth and tax-free withdrawals (at the federal level) for qualified education expenses. And over 30 states offer state income tax credits or deductions. Depending on a saver's place of residency and unique tax profile (which we do not factor into our ratings), those benefits might be generous enough to make investing in a home state's plan a worthy choice even if it's not one we recommend. Few states allow residents to claim state tax benefits no matter which 529 plan they choose, but in most cases, opting for an out-of-state plan means giving up home-state tax incentives. ■■

# Appendix

## 2024 Morningstar Medalist Ratings for 529 Plans

529 Plan (★ Inaugural Rating)	Issuing State	Morningstar Medalist Rating	Pillar Rating ↑ Upgrades ↓ Downgrades			
			People	Process	Parent	Price
Bright Start Direct-Sold College Savings my529	IL	Gold ↑	Neutral ↓	Positive	Positive	Positive
PA 529 Investment Plan	PA	Gold	Positive	Positive	Positive	Positive
T. Rowe Price College Savings Plan	AK	Gold ↑	Positive	Positive	Positive	Neutral
U.Fund College Investing Plan	MA	Gold ↑	Positive	Positive	Positive	Neutral
AZ529, Arizona's Education Savings Plan	AZ	Silver	Positive	Positive	Positive	Neutral
BlackRock CollegeAdvantage 529 Plan	OH	Silver ↑	Positive	Positive	Positive	Negative
CHET Direct College Savings Plan	CT	Silver ↑	Positive	Positive	Positive ↑	Neutral
CollegeAdvantage 529 Savings Plan	OH	Silver	Positive	Positive	Positive	Positive
CollegeAmerica	VA	Silver	Positive	Positive	Positive	Negative
DE529 Education Savings Plan	DE	Silver	Positive	Positive	Positive	Neutral
MD Sen Edward J. Kasemeyer Clg Inv Plan	MD	Silver	Positive	Positive	Neutral	Neutral
Michigan Education Savings Program	MI	Silver	Neutral ↓	Positive	Positive	Positive
Minnesota College Savings Plan	MN	Silver	Neutral	Positive	Positive	Positive
New York's 529 Program (Direct)	NY	Silver	Positive	Positive	Neutral	Positive
NextGen College Investing Plan Direct	ME	Silver ↑	Positive	Positive	Neutral	Neutral ↓
Path2College 529 Plan	GA	Silver	Neutral	Positive	Positive	Positive
ScholarShare College Savings Plan	CA	Silver ↑	Neutral	Positive	Positive	Positive
UNIQUE College Investing Plan	NH	Silver ↑	Positive	Positive	Neutral ↑	Neutral
Bloomwell 529 Education Savings Plan	NE	Bronze ↑	Neutral	Neutral	Positive ↑	Positive
★ DC College Savings Plan	DC	Bronze	Neutral	Positive	Neutral	Neutral
Edvest 529 Plan	WI	Bronze ↓	Neutral	Positive	Neutral	Positive
Florida 529 Savings Plan	FL	Bronze	Neutral	Neutral	Positive ↑	Positive
Indiana529 Direct Savings Plan	IN	Bronze ↑	Neutral	Positive ↑	Neutral	Neutral ↓
Invest529	VA	Bronze ↓	Positive	Neutral ↓	Positive	Positive
ISave 529 Plan	IA	Bronze	Positive	Neutral ↑	Neutral	Positive
MOST Missouri's 529 Education Plan	MO	Bronze	Positive	Neutral	Neutral	Positive
NEST Direct College Savings Plan	NE	Bronze	Neutral	Neutral	Positive ↑	Positive
Oklahoma College Savings Plan	OK	Bronze	Neutral	Positive	Neutral	Positive
Oregon College Savings Plan	OR	Bronze	Neutral ↓	Positive	Neutral	Neutral ↓
The Education Plan	NM	Bronze	Neutral	Positive ↑	Neutral	Positive
The Vanguard 529 College Savings Plan	NV	Bronze ↓	Positive	Positive	Negative	Positive
Bright Directions Advisor-Guided 529 Col	IL	Neutral ↓	Neutral ↓	Positive	Positive	Neutral ↑
CHET Advisor College Savings Plan	CT	Neutral	Positive	Positive	Positive ↑	Negative
CollegeCounts 529 Fund Advisor Plan	AL	Neutral	Neutral	Positive	Neutral	Negative
CollegeCounts 529 Fund Direct-Sold Plan	AL	Neutral ↓	Neutral	Neutral ↓	Neutral	Neutral ↓
CollegeInvest Direct Portfolio College S	CO	Neutral ↓	Positive	Neutral	Neutral	Neutral ↓
Fidelity Advisor 529 Plan	NH	Neutral	Positive	Positive	Neutral ↑	Negative
Franklin Templeton 529 Coll Savings Plan	NJ	Neutral ↑	Neutral	Neutral ↑	Negative	Negative
Future Scholar 529 (Direct)	SC	Neutral ↓	Neutral	Neutral	Neutral	Positive
Indiana529 Advisor Savings Plan	IN	Neutral	Neutral	Positive ↑	Neutral	Negative
John Hancock Freedom 529	AK	Neutral	Positive	Positive	Positive	Negative
LearningQuest 529 Program (Direct)	KS	Neutral	Neutral	Neutral	Neutral	Neutral
★ MFS 529 Savings Plan	OR	Neutral	Neutral	Positive	Neutral	Negative
National College Savings Program	NC	Neutral ↓	Positive	Neutral	Negative ↓	Neutral ↓
NEST Advisor College Savings Plan	NE	Neutral	Neutral	Neutral	Positive ↑	Neutral ↑
New York's 529 Program (Advisor-Guided)	NY	Neutral	Positive	Positive	Neutral	Negative
NextGen College Investing Plan Select	ME	Neutral	Positive	Positive	Neutral	Negative
NJ BEST 529 College Savings Plan	NJ	Neutral	Neutral	Neutral ↑	Negative	Neutral ↓
★ Scholars Choice Education Savings Plan	CO	Neutral	Neutral	Positive	Neutral	Negative
Scholar's Edge	NM	Neutral	Neutral	Positive ↑	Neutral	Negative
Schwab 529 College Savings Plan	KS	Neutral	Neutral	Neutral	Neutral	Neutral
The Hartford SMART529	WV	Neutral	Positive	Positive	Positive	Negative
★ The Louisiana START Saving For College	LA	Neutral	Neutral	Negative	Negative	Positive
CollegeAccess 529 Plan	SD	Negative	Negative	Negative	Neutral	Negative
CollegeBound 529	RI	Negative	Negative	Neutral	Neutral	Negative
Future Scholar 529 (Advisor)	SC	Negative ↓	Neutral	Neutral	Neutral	Negative
Tomorrow's Scholar 529 Plan	WI	Negative	Neutral	Neutral ↑	Neutral	Negative
★ USAA 529 Education Savings Plan	NV	Negative	Neutral	Negative	Negative	Neutral

Source: Morningstar Direct. Data as of Oct. 29, 2024.

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