Comparing over 3,000 529 plan investment options is a complex task. Therefore, Savingforcollege.com has created categories to allow users to get a meaningful comparison between similar groups of investment portfolios. Please note that categorization does not take into account the user’s specific situation and does not take into account any type of resident benefits he or she may gain by investing within portfolios of a certain 529 plan.

Although we understand that there are more asset classes available within certain plans and portfolios, for the purposes of these comparisons 6 asset classes are considered:

US Stock (equity)
Foreign Stock (equity)
Real Estate (equity)
Short-Term Bonds (fixed income)
Bonds (fixed income)
Cash/Money Market Funds

*Note: Categories are broken into two types of plans, direct-sold and advisor-sold 529 plans.

**Static Portfolios**

Static portfolios are categorized based on three criteria: percentage of equity, percentage of fixed income (short and long term) and percentage of money market funds. The percentage of equity is calculated by taking the summation of the US Stock, Foreign Stock, and Real Estate asset classes within the portfolio. The categories are named:

100% Cash/Money Market
100% Bonds
100% Short-term bonds
0-20% Equity
20-40% Equity
40-60% Equity
60-80% Equity
80-100% Equity

The true percentage cutoffs for these asset categories are: 1%, 21%, 41%, 61%, 81%, 100% respectively.

**Age-Based Portfolios**

The first step in categorizing age-based portfolios is to create static age buckets. As there is no industry standard for glidepaths (some plans may have an age 0-4 portfolio while others might have an age 0-8), we started by determining where the majority of portfolio changes occur. After calculating and plotting the maximum ages of all age-based portfolios, we found the critical age breaks to be at ages 5, 10, 15 and 18.
This allowed for four distinct age buckets to be created: 0-5, 6-10, 11-15, and 16+.

Since not all portfolios fit perfectly into one of these age buckets, we use the following rule to allocate portfolios that span more than one age bucket into a single bucket. The portfolio is assigned to the age bucket in which it resides longest. For example, an age 0-8 portfolio resides in the 0-5 age bucket for six years while it resides in the 6-10 bucket for three years. Therefore, this portfolio would be categorized in the 0-5 age bucket. If a portfolio spends an equal number of years within two buckets, the lower age bucket is chosen.

After each portfolio is placed into an age bucket, it is then assigned to a risk bucket. A total of three risk buckets were used:

Conservative
Moderate
Aggressive

Portfolios are assigned to risk buckets by the percentage of equity within the portfolio.

Since the portfolios within an age bucket are being compared relative to one another, the goal was to assign about one-third of those portfolios to each risk bucket. In other words, if there were 600 different portfolios within the 0-5 age bucket, the goal was to have approximately 200 in each of the risk buckets.

In some cases, a significant number of portfolios would have the same percentage of equity and this would make keeping exactly 33% of portfolios within each category impossible as portfolios
with the same percentage of equity should not be divided into different risk buckets. In these cases, the cutoffs were made to stay as close to the 33% figure in each of the categories.

**Category Average**

Once in categories and given a rank, portfolios will be grouped into the categories below depending on what percentile their rank is in.

*Top 20%: Best*

*Next 20%: Above Average*

*Next 30%: Average*

*Next 20%: Below Average*

*Bottom 10%: Poor*