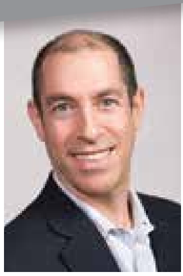

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# New York Direct 529 Plan *Updates*

*By Ian A. Post, CFA, CFP®*

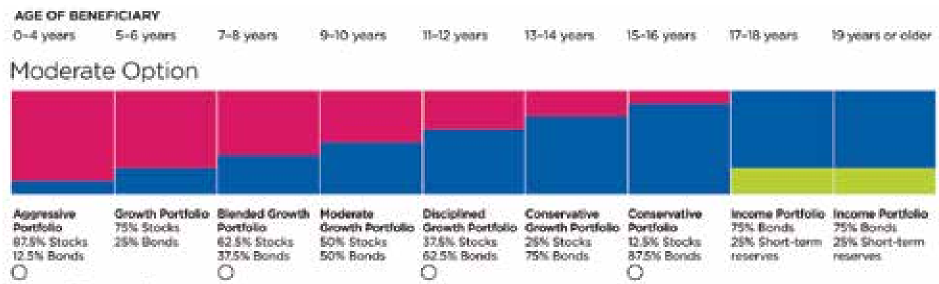
Beginning September 22nd, 2017, the New York Direct 529 Plan (www.nysaves.org) will incorporate several updates to the Plan. Following is a summary and discussion of how those changes will impact your college savings.

## Plan Fee Reductions

On the change date, the total annual asset based fee for all investment options in the plan will decline by 0.01% from 0.16% to 0.15%. Vanguard, the plan's investment manager, has traditionally been one of the leaders in low-cost investing and the direct New York 529 Plan has consistently reduced plan expenses over time. Annual plan expenses were 0.80% as of 2002. Investment expenses have a direct impact on investment returns, particularly over the long term. An annual fee reduction of 0.65% translates to over $10,000 in additional assets over the past ten years, assuming an initial $100,000 investment in the Vanguard Moderate Growth Portfolio[1].

## Increased Maximum Account Balances

Each state 529 plan includes a maximum allowable aggregate balance across accounts per beneficiary rule. Account balances can grow beyond this limit due to earnings but additional contributions cannot be made once the account balance has been reached. The maximum balance rule thus limits the ability to make state income tax deductible contributions. Previously, the maximum allowed asset balance across New York 529 Plan accounts for a single beneficiary was $375,000. The new maximum aggregate balance is set at $520,000.



Source: Vanguard

## Additional Portfolios Within the Age-Based Investment Options

The New York 529 Plan includes Age-Based Investment Options that are portfolios designed to become more conservative as the child gets closer to college age. Previously, portfolio allocations changed abruptly as the child beneficiary aged out of one portfolio and into another. For example, under the previous age-based glide path approach, a child invested in the Moderate Age-Based Option had 50% invested in stocks at age 10 and only 25% invested in stocks at age 11. The changes to be incorporated by Vanguard will smooth the glide path and create a more consistent risk exposure by adding new portfolios along the way. As seen in the chart, at age 11, rather than shifting directly to a 25% stock allocation, a child in the Moderate Age-Based Option will have a 37.5% allocation to stocks until the age of 13 when the portfolio will downshift again to 25% equity exposure.

## Elimination of a minimum contribution amount

Previously, the Direct Plan required a minimum additional contribution amount of $25. This requirement has been eliminated meaning that any whole dollar amount can be contributed beginning on September 22nd.

For those utilizing the New York State Direct 529 plan from Vanguard, these are welcome updates to an already excellent plan. The key going forward is to continue saving and incorporate your college funding goals within a comprehensive wealth management plan that considers all your goals and values.

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[1] *$100,000 in the Vanguard Moderate Growth portfolio invested ten years ago (August 22, 2007) with an additional 0.15% fee would have grown to $174,890 vs. $164,104 with an additional fee of 0.80% by August 22, 2017. Source: Kwanti*