

The Star-Ledger

Ask the Biz Brain

Wednesday, October 10, 2007

I have a Vanguard 500 index mutual fund for my granddaughter, which I want to sell and invest the proceeds into a 529 account. New Jersey offers Franklin Templeton funds, which I'm not familiar with. Nevada does offer Vanguard funds and I'm thinking of opening one there. What is the advantage of investing in New Jersey's 529 fund over going out of state?

-- Marie New Jersey does many things well. Growing juicy tomatoes and corrupt politicians, for example. It's the rich soil.

But some financial advisers say the Garden State has planted an expensive bush when it comes to its 529 plan. And with most states' plans open to anyone in the country, plan fees are one thing investors who want to open a 529 plan should look at carefully.

Christopher Cordaro, a certified financial planner with RegentAtlantic Capital in Chatham, said the average cost of New Jersey's plan is 1.2 percent.

However, he noted New York offers Vanguard funds, and its fees are as low as 0.55 percent.

Marnie Aznar, a CFP with Aznar Financial Advisors in Morris Plains, said other states such as Iowa and Utah also offer 529 plans with Vanguard funds and charge fees lower than Nevada.

Both Cordaro and Aznar noted at least one potential perk for New Jersey residents to use their state's 529 plan -- a scholarship. The maximum amount available (after 12 years of contributing savings) is \$1,500, Aznar said.

But there's a catch, of course. The student has to go to a New Jersey college, and that's never a guarantee. In addition, investing in another state's plan with lower fees may mean you'll make up the scholarship amount by paying lower expenses.

Lastly, Cordaro recommended moving your investment away from stocks toward bonds and money markets as the time draws nearer to needing the cash for college expenses.

-- Greg Saitz