Morningstar Category Classifications for 529 Investment Options

For 529 portfolios available for sale in the United States.

Morningstar
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Contents

Important Disclosure

The Morningstar Category classifications for 529 investment options were introduced in 2010 to help investors make meaningful comparisons between 529 options.

The Morningstar Category classifications for 529 investment options breaks portfolios into peer groups based on their holdings and asset allocation. Morningstar regularly reviews the category structure and the portfolios within each category to ensure that the system meets the needs of investors.

Morningstar assigns categories to all types of portfolios, such as mutual funds and separate accounts, as well as 529 options. Portfolios are placed in a given category based on their average holdings statistics over the past three years. Additional data, such as correlations of annuities to category benchmarks, may also be considered. For 529 age-based options, Morningstar will also take into account the 529 options' glide path data. Morningstar's editorial team reviews and approves all category assignments. If the portfolio is new and has no history, Morningstar estimates where it will fall before giving it a more permanent category assignment. When necessary, Morningstar may change a category assignment based on recent changes to the portfolio.

Category List

Static

Static portfolios may allocate to stocks, bonds, cash, or a combination of all three. Unlike their age-based counterparts, static portfolios have risk levels that are relatively constant over time. These portfolios are not designed to derisk as a child ages.

Large Value

Large-value 529 portfolios invest primarily in big US companies that are less expensive or growing more slowly than other large-cap stocks. Stocks in the top 70% of the capitalization of the US equity market are defined as large-cap. Value is defined based on low valuations (low price ratios and high dividend yields) and slow growth (low growth rates for earnings, sales, book value, and cash flow).

Category Group Index: S&P 500 TR USD

Category Index: Russell 1000 Value TR USD

Large Blend

Large-blend 529 portfolios are representative of the overall US stock market in size, growth rates, and price. Stocks in the top 70% of the capitalization of the US equity market are defined as large-cap. The blend style is assigned to portfolios where neither growth nor value characteristics predominate. These portfolios tend to invest across the spectrum of US industries.

Category Group Index: S&P 500 TR USD

Category Index: Morningstar US Large-Mid TR USD

Large Growth

Large-growth 529 portfolios invest in big US companies that are projected to grow faster than other large-cap stocks. Stocks in the top 70% of the capitalization of the US equity market are defined as large-cap. Growth is defined based on fast growth (highest growth rates for earnings, sales, book value, and cash flow) and high valuations (high price ratios and low dividend yields).

Category Group Index: S&P 500 TR USD

Category Index: Russell 1000 Growth TR USD

Mid-Cap Equity

Mid-cap 529 portfolios invest in either medium-size companies or a mix of small-, mid-, and large-cap stocks. The US mid-cap range for market capitalization typically falls between USD 1 billion and USD 8 billion and represents 20% of the total capitalization of the US equity market.

Category Group Index: S&P 500 TR USD

Category Index: Morningstar US Mid TR USD

Small-Cap Equity

Small-cap 529 portfolios invest in small US companies. The US small-cap market represents the bottom 10% of the capitalization of the US equity market.

Category Group Index: S&P 500 TR USD

Category Index: Morningstar US Small TR USD

Conservative Allocation

Portfolios in allocation categories seek to provide both income and capital appreciation by primarily investing in multiple asset classes, including stocks, bonds, and cash. These conservative strategies prioritize preservation of capital over appreciation. They typically expect volatility similar to a strategic equity exposure between 15% and 30%.

Category Group Index: Morningstar Mod Tgt Risk TR USD
Category Index: Morningstar Con Tgt Risk TR USD

Moderately Conservative Allocation

Portfolios in allocation categories seek to provide both income and capital appreciation by primarily investing in multiple asset classes, including stocks, bonds, and cash. These moderately conservative strategies prioritize preservation of capital over appreciation. They typically expect volatility similar to a strategic equity exposure between 30% and 50%.

Category Group Index: Morningstar Mod Tgt Risk TR USD
Category Index: Morningstar Mod Con Tgt Risk TR USD

Moderate Allocation

Portfolios in allocation categories seek to provide both income and capital appreciation by primarily investing in multiple asset classes, including stocks, bonds, and cash. These moderate strategies seek to balance preservation of capital with appreciation. They typically expect volatility similar to a strategic equity exposure between 50% and 70%.

Category Group Index: Morningstar Mod Tgt Risk TR USD
Category Index: Morningstar Mod Tgt Risk TR USD

Moderately Aggressive Allocation

Portfolios in allocation categories seek to provide both income and capital appreciation by primarily investing in multiple asset classes, including stocks, bonds, and cash. These moderately aggressive strategies prioritize capital appreciation over preservation. They typically expect volatility similar to a strategic equity exposure between 70% and 85%.

Category Group Index: Morningstar Mod Tgt Risk TR USD
Category Index: Morningstar Mod Agg Tgt Risk TR USD

Aggressive Allocation

Portfolios in allocation categories seek to provide both income and capital appreciation by primarily investing in multiple asset classes, including stocks, bonds, and cash. These aggressive strategies typically allocate at least 10% to equities of foreign companies and prioritize capital appreciation over preservation. They typically expect volatility similar to a strategic equity exposure of more than 85%.

Category Group Index: Morningstar Mod Tgt Risk TR USD
Category Index: Morningstar Agg Tgt Risk TR USD

Non US Equity

Non-US 529 equity portfolios do not have any geographical limitations. It is common for these portfolios to invest the majority of assets in the US, Europe, and Japan, with the remainder divided among the globe's small markets.
Category Group Index: MSCI ACWI Ex USA NR USD
Category Index: MSCI ACWI Ex USA NR USD

US Government

US government 529 portfolios have at least 90% of their bond holdings in bonds backed by the US government or by government-linked agencies.
Category Group Index: Bloomberg US Agg Bond TR USD
Category Index: Bloomberg US Government TR USD

Short-Term Bond

Short-term bond 529 portfolios invest primarily in corporate and other investment-grade fixed-income issues. Most of these funds invest primarily in the US but may have some non-US bond exposure. Durations on these funds will typically fall between 1.0 and 3.5 years.
Category Group Index: Bloomberg US Agg Bond TR USD
Category Index: Bloomberg Govt/Credit 1-5 Yr TR USD

Intermediate-Term Bond

Intermediate-term bond 529 portfolios invest primarily in corporate and other investment-grade fixed-income issues. Most of these funds invest primarily in the US but may have some non-US bond exposure. Durations on these funds will typically fall between 3.5 and 6.0 years.
Category Group Index: Bloomberg US Agg Bond TR USD
Category Index: Bloomberg US Agg Bond TR USD

Money Market

Money market 529 portfolios invest in short-term money market securities and/or short-term municipal money market securities. These funds provide current income and aim to preserve capital.
Category Group Index: USTREAS T-Bill Auction Ave 3 Mon
Category Index: ICE BofA USD 3M Dep OR CM TR USD

Global Bond

Global bond 529 portfolios invest primarily in investment-grade-rated issues, but their strategies can vary. Some follow a conservative approach, sticking with high-quality bonds from developed markets. Others are more adventurous, owning some lower-quality bonds from developed or emerging markets. Some portfolios invest exclusively outside the US, while others invest in both US and non-US bonds. Many consistently maintain significant allocations to non-US-dollar currencies, while others have the flexibility to make sizable adjustments between their US dollar and non-US-dollar currency exposures.
Category Group Index: Bloomberg US Agg Bond TR USD
Category Index: Bloomberg Global Aggregate TR USD

Real Estate

Real estate 529 portfolios invest primarily in real estate investment trusts of various types. REITs are companies that develop and manage real estate properties. There are several different types of REITs, including apartment, factory-outlet, healthcare, hotel, industrial, mortgage, office, and shopping center REITs. Some portfolios in this category also invest in real estate operating companies.

Category Group Index: MSCI ACWI NR USD

Category Index: Morningstar US Real Est TR USD

Age–Based Fixed

Age-based fixed 529 plan options are labeled by a child's age and contain static allocations of stocks, bonds, and cash based on the stated risk tolerance and a child's current age. College savers sell out of one portfolio and step into another, more conservative portfolio as the child grows older, typically in two-year increments.

Age 0-4

Age 0-4 portfolios are intended for children from the ages of 0 until they turn 4. They may come in several equity allocations, from an aggressive 100% equity stake all the way to a conservative 40% equity stake.
Category Group Index: Morningstar Mod Agg Tgt Risk TR USD
Category Index: Morningstar Mod Agg Tgt Risk TR USD

Age 5-6

Age 5-6 portfolios are intended for children from the ages of 5 to 6. They may come in several equity allocations, from an aggressive 100% equity stake all the way to a conservative 40% equity stake.
Category Group Index: Morningstar Mod Agg Tgt Risk TR USD
Category Index: Morningstar Mod Agg Tgt Risk TR USD

Age 7-8

Age 7-8 portfolios are intended for children from the ages of 7 to 8. They may come in several equity allocations, from an aggressive 100% equity stake all the way to a conservative 30% equity stake.
Category Group Index: Morningstar Mod Agg Tgt Risk TR USD
Category Index: Morningstar Mod Agg Tgt Risk TR USD

Age 9-10

Age 9-10 portfolios are intended for children from the ages of 9 to 10. They may come in several equity allocations, from an aggressive 100% equity stake all the way to a conservative 20% equity stake.
Category Group Index: Morningstar Mod Tgt Risk TR USD
Category Index: Morningstar Mod Tgt Risk TR USD

Age 11-12

Age 11-12 portfolios are intended for children from the ages of 11 to 12. They may come in several equity allocations, from an aggressive 90% equity stake all the way to a conservative 10% equity stake.
Category Group Index: Morningstar Mod Tgt Risk TR USD
Category Index: Morningstar Mod Tgt Risk TR USD

Age 13-14

Age 13-14 portfolios are intended for children from the ages of 13 to 14. They may come in several equity allocations, from an aggressive 80% equity stake all the way to a conservative 0% equity stake.
Category Group Index: Morningstar Mod Con Tgt Risk TR USD
Category Index: Morningstar Mod Con Tgt Risk TR USD

Age 15-16

Age 15-16 portfolios are intended for children from the ages of 15 to 16. They may come in several equity allocations, from an aggressive 70% equity stake all the way to a conservative 0% equity stake.

Category Group Index: Morningstar Mod Con Tgt Risk TR USD

Category Index: Morningstar Mod Con Tgt Risk TR USD

Age 17-18

Age 17-18 portfolios are intended for children from the ages of 17 to 18. They may come in several equity allocations, from an aggressive 60% equity stake all the way to a conservative 0% equity stake.

Category Group Index: Morningstar Con Tgt Risk TR USD

Category Index: Morningstar Con Tgt Risk TR USD

Age 19+

Age 19+ portfolios are intended for children who are enrolled in college. They may come in several equity allocations, from an aggressive 35% equity stake all the way to a conservative 0% equity stake.

Category Group Index: Morningstar Con Tgt Risk TR USD

Category Index: Morningstar Con Tgt Risk TR USD

Age-Based Progressive

Age-based progressive 529 plan options are labeled by a child's year of enrollment in college and gradually shift between stocks, bonds, and cash over time. Management adjusts the allocations to reduce risk on behalf of college savers as the target enrollment date approaches, following a preset glide path.

US 529 Target-Enrollment 2042+

Target-enrollment 2042+ portfolios are intended for children who will enroll in college more than 15-17 years from today. They may come in several equity allocations, from an aggressive 100% equity stake all the way to a more conservative 75% equity stake.

Category Group Index: Morningstar 529 Mod 2034 TR USD

Category Index: Morningstar 529 Mod 2034 TR USD

US 529 Target-Enrollment 2039

Target-enrollment 2039 portfolios are intended for children who will enroll in college 12-14 years from today. They may come in several equity allocations, from an aggressive 100% equity stake all the way to a more conservative 75% equity stake.

Category Group Index: Morningstar 529 Mod 2034 TR USD

Category Index: Morningstar 529 Mod 2034 TR USD

US 529 Target-Enrollment 2036

Target enrollment 2036 portfolios are intended for children who will enroll in college nine to 11 years from today. They may come in several equity allocations, from an aggressive 100% equity stake all the way to a more conservative 68% equity stake.

Category Group Index: Morningstar 529 Mod 2034 TR USD

Category Index: Morningstar 529 Mod 2034 TR USD

US 529 Target-Enrollment 2033

Target-enrollment 2033 portfolios are intended for children who will enroll in college six to eight years from today. They may come in several equity allocations, from an aggressive 100% equity stake all the way to a more conservative 55% equity stake.

Category Group Index: Morningstar 529 Mod 2034 TR USD

Category Index: Morningstar 529 Mod 2034 TR USD

US 529 Target-Enrollment 2030

Target-enrollment 2030 portfolios are intended for children who will enroll in college three to five years from today. They may come in several equity allocations, from an aggressive 90% equity stake all the way to a more conservative 43% equity stake.

Category Group Index: Morningstar 529 Mod 2031 TR USD

Category Index: Morningstar 529 Mod 2031 TR USD

US 529 Target-Enrollment 2027

Target-enrollment 2027 portfolios are intended for children who will enroll in college up to two years from today. They may come in several equity allocations, from an aggressive 75% equity stake all the way to a more conservative 28% equity stake.

Category Group Index: Morningstar 529 Mod 2028 TR USD
Category Index: Morningstar 529 Mod 2028 TR USD

US 529 Target-Enrollment 2024

Target-enrollment 2024 portfolios are intended for children who enrolled in college in 2024. They may come in several equity allocations, from an aggressive 57% equity stake all the way to a more conservative 13% equity stake.

Category Group Index: Morningstar 529 Mod 2025 TR USD
Category Index: Morningstar 529 Mod 2025 TR USD

US 529 Target-Enrollment 2021

Target-enrollment 2021 portfolios are intended for children who enrolled in college in 2021. They may come in several equity allocations, from an aggressive 42% equity stake all the way to a more conservative 0% equity stake.

Category Group Index: Morningstar 529 Mod 2022 TR USD
Category Index: Morningstar 529 Mod 2022 TR USD

US 529 Target-Enrollment 2018

Target-enrollment 2018 portfolios are intended for children who enrolled in college in 2018. They may come in several equity allocations, from an aggressive 35% equity stake all the way to a more conservative 0% equity stake.

Category Group Index: Morningstar 529 Mod 2019 TR USD
Category Index: Morningstar 529 Mod 2019 TR USD

US 529 Target-Enrollment 2015

Target-enrollment 2015 portfolios are intended for children who enrolled in college in 2015. They may come in several equity allocations, from an aggressive 35% equity stake all the way to a more conservative 0% equity stake.

Category Group Index: Morningstar 529 Mod 2016 TR USD
Category Index: Morningstar 529 Mod 2016 TR USD

US 529 Target-Enrollment College

Target-enrollment college portfolios are intended for children who are currently in college. They may come in several equity allocations, from an aggressive 35% equity stake all the way to a more conservative 0% equity stake.

Category Group Index: Morningstar 529 Mod 2013 TR USD
Category Index: Morningstar 529 Mod 2013 TR USD

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