

Steve Wightman, CFP, Stirs Boston College Funding Conference

Sitting in four rows back from the speaker, Mr. Wightman challenged how education funding plans, a.k.a. section 529 plans now being rolled out by more and more large mutual fund and insurance companies could justify expenses as high as 5% after consumers were enrolled for just one year in these programs? Given that companies hold their representatives out as “advisors” inferring that they follow the same standards of professional financial advisors and that the only widely recognized financial planning credential is the Certified Financial Planner® designation that states in its ethical code to “always put the client foremost”, how can companies justify fees up to ten times greater than what a fee-only advisor may charge?

In addition, when tuition inflation of 8% annually and investment expenses are added, these funds would have to achieve an after-tax rate of return of up to 13% - besting the long-term average return of both the Dow Jones Industrial (DJIA) and the S & P 500. Considering that over 90 % mutual funds fail to eclipse this lofty level, how can such companies offer these products without disclosing this information on one hand, while saying they are “advisors” and imputing that they place the client first and foremost on the other?

The fact is that compared to high cost college savings plans, some state-sponsored, prepaid plans may have a distinct advantage. They, in essence, guarantee your rate of return by guaranteeing that if you make your minimum payments they will fund 100% of college costs for certain schools. Should your child not go to a qualified school, with some plans, they will allow you to remove your contributions plus interest for all the years you were invested in the plan. These pre-funded plans remove the risk of you and your fund manager having to attain a nearly impossible average rate of return of up to 13% just to keep even with college inflation costs.

Speaker Jeff Van Orden agreed with the Fee-only, low-cost, approach, saying plan selection and analysis of cost is one critical part of successful college planning. Mr. Wightman, principal of Wightman Financial Network, LLC, is the only local member of the National Association of Personal Financial Advisors, (a national organization of Fee-only® financial fiduciaries, www.NAPFA.org) to complete the Boston College Funding Program with Saving For College.com. He plans to take the certification exam when it opens in April for education funding. Also, he has added a new education funding section to his practice website; www.Secure-Plan.com where consumers can find information without product pitches.

Mr. Wightman’s point that college savings plans may be offered with the same investment performance for one-tenth the cost may not be the first time a Lexingtonian has fired a warning shot, but let’s hope that it’s a sound that will ring in the ear of consumers and “advisors” alike before they jump into these plans.

Steven Wightman, CFP is a life advisor specializing in money. He is a member of National Association of Professional Advisors, www.NAPFA.org and the Financial Planning Association, www.fpanet.org. He has published articles on the subject of planning for retirement, investments, estates and education. He has been a Certified Financial Planner™ licensee since 1995, practicing fee-only comprehensive planning with Wightman Financial Network, LLC of Lexington, Massachusetts.