

Company emphasizes fees over performance

Morningstar Inc., a firm known for its ratings of mutual funds, began trying to evaluate Section 529 college-savings plans 10 years ago. Since then, the company has attempted to revise its approach, but blatant inconsistencies remain in its methods.

State treasurers built the Kansas 529 program to include many investment options and low fees to provide Kansans and out-of-state investors with choices to accommodate their needs. Yet, Morningstar's methodology emphasizes fees over performance and services offered, which sometimes come with additional cost.

The "Morningstar College-Savings Plans Industry Survey," released recently, is a prime example. Parts of the Kansas plan received unfavorable ratings and others were left out completely. This alone wouldn't be as much of a problem if it weren't for the lack of transparency, subjective ratings and contradictions used to evaluate our state's program.

Morningstar rates plans based on five "pillar" scores for process, performance, people, parent and price, but their report provides no clue as to how the scores are derived or how they are weighted to come up with the overall rating. While it's understandable that process, people and parent pillars may be ranked subjectively, the evaluation of price and performance should be quantitative and the methodology disclosed, as is Morningstar's practice with mutual funds.

This lack of transparency leaves us wondering why their evaluation focuses on certain aspects of a plan rather than assessing the whole picture.

For example, Morningstar penalized Kansas plans for not having the absolute lowest fees in the industry, but neglected to consider annual account maintenance fees charged by each of the "gold" rated plans. Kansas plans don't charge a dime for annual fees.

Morningstar's misguided bias towards 'low fees' also fails to account for the benefits investors obtain when working through an actively managed account.

What I find troubling with the report are the blatant contradictions within the rankings of each 529 plan. After comparing the overall rankings among the states, I am disappointed that plans with the same or even worse "pillar" scores have received better overall ratings than Kansas'.

For example, plans sponsored by Maine, Nevada, Ohio, Oklahoma, Vermont and Schwab 529s all received identical pillars ratings with the exception of performance, where the Schwab 529 received a higher ranking.

But the Schwab 529 plan received a negative overall rating, while the others were given a neutral rating. If anything, performance net of fees should be weighted more heavily than the other pillars.

Another bias in Morningstar's ratings is that they are more positive on a plan's price and performance rating if the state offers a large tax deduction only for residents who use that state's plan. Kansas has generously chosen to extend its tax deduction to residents who choose any state's 529 plan, in what the industry calls "tax parity."

Overall, the conclusions in Morningstar's overall ratings are unclear, subjective and inconsistent, which is inexcusable for a company whose strength is analytics.

Kansas 529 Program account owners and the general public, who are all affected by these ratings, deserve to know how these evaluations are determined by Morningstar. The firm should follow a transparent standard and openly present the data. Otherwise, how do we know one state's ranking isn't purely based on an opinion or agenda?

Ron Estes is the Kansas state treasurer, a member of the College Savings Plans Network executive board and the Midwest Regional Vice President for the National Association of State Treasurers.



Diplomatic games on common ground

It became abundantly clear to me this week why Dennis Rodman and North Korean leader Kim Jong Un are friends. One can only imagine what the former NBA player felt as they watched Rodman unleash his tirade in a CNN interview. It was sparked by a question from newscaster Chris Cuomo about the North Korean imprisonment of American Kenneth Bae. My take on it was Rodman didn't want anyone to know how ill informed he was on international relations, human rights violations and small leaders. It was easier to act arrogant and another word which starts with an 'a' to defend himself.

His "basketball diplomacy" has some merit though. Sometimes, the best deal makers are games and common ground. Truth be known, many times it is the unpolitical who are the most successful in changing an image and improving relations. Because we do not place severe limits on our citizens' travel, situations such as Rodman

Phase II Mary Kay Woodyard



exhibited are bound to happen from time to time. We will not always get the highest quality of individual to be our representative, but sometimes we will.

Dennis Rodman, for whatever reason, has decided he is just the liaison we need to form better relations with North Korea and its young leader. If his outburst is any indication of the relations he wants to improve, well, needless to say we would be better off without him. This was his fourth trip to see his "best friend" and practice his form of diplomacy.

I do give kudos to President Obama for not responding to either his trip

or his tirade. Just as young children have temper tantrums and should be ignored, so should ill behaved, too highly paid, arrogant former NBA players. Although I respect his right to free speech, his ignorance on many issues does not serve him or our country. An understanding of the problems we face in dealing with the North Korean leader could go far, if he had taken his role seriously and remembered his own roots. Slavery comes in many forms and is inflicted on many, including North Koreans. Dennis Rodman had a great opportunity and has resources, both financial and fellow players. Too bad he didn't do his homework or stick to basketball.

In the movie, Men in Black, it was said, "Dennis Rodman is from that planet."

The response was, "You're kidding. Not a very good disguise." Same could be said of Rodman as a diplomat. mk-woodyard@ruraltel.net

Not another resolution but a lifestyle

There is much imagery surrounding a New Year. The year is presented as shining and new, or as a baby, or a clean slate. We plan new beginnings in the form of resolutions.

The old year? Death panels come into the equation. Your day is done, die!

A few days of "polar vortex" and we are as tired of the New Year as we were the old!

Perhaps we should make New Year's the same day as May Day. Things usually seem hopeful about then. Unless you live in Oklahoma, how hopeful can one be in a tornado shelter?

Oh well, suppose I best go with the flow and say it is 2014 like the rest of the imagination lacking world.

Time to sort through the calendars! Last summer I bought a beautiful calendar from Yellowstone. It's hanging by my desk.

The desk calendar is mission control! Nothing happens if it doesn't make the desk calendar!

Last year I had a desk calendar with pockets at the bottom. I find those very handy. Put the appointment cards in there. The tax payment coupons, the invitations!

I'm going to miss the pocket calendar!

For years my sister got upwards of a dozen calendars from various groups. I think she donated to their causes: Parkinson's, Disabled American Veterans, The Heart Association, etc. It is interesting to see how they interpret the

This Too Shall Pass Nancy Hagman



year as it relates to their cause.

The most touching is Cystic Fibrosis: It features roses. Why? A story is told of a mother who spent a great deal of time with fundraising for a cure because her child had the disease. Once she asked him about his understanding of the situation. He said "It's about sixty-five roses!"

Sue finally told the groups she was donating money to advance causes and cures, not for pretty calendars. If they sent a calendar, she would quit donating.

That was rather a disappointment for me. Since college, I have recycled pretty pictures into envelopes. Those calendars set me for life----yes I probably am set for life so it may be best she shut off the supply, still it was sort of fun to get that little gift every year!

I've had people tell me they enjoy seeing those envelopes. Our farm accountant says it brightens the day for everyone when they get correspondence from me. My postmistress appreciates it!

I still buy some envelopes because some things are serious: like the IRS! But mostly I have fun! It's not a resolu-

tion, it's a life style!

This year Elizabeth gave us all calendars with pictures from Shutterfly, that sort of thing goes into the sewing room. I'm not writing on it. I kept the last Shutterfly calendar up for several years. I ignore the dates but changed it every month so I had new pictures.

Also eventually the dates will fall on the same weekdays! Yes, people; it's true! Our calendars cycle, they are not random. If someone sends you an E-mail telling you this January is the only time for 342 years there will be 3 Wednesdays, 3 Thursdays and 3 Fridays in one month, that the phenomenon is known as "money" days or some such nonsense and you should forward it to all your friends, resist the urge to send it to me.

My cute little Mary Engelbreit calendar cube from 2002 has the exact same configuration as the 2014 calendar. That is also how the days fell in 2008 after February 29. I'll admit the leap year thing does mess with the system, but no calendar configuration is all that rare or unusual.

I don't know why the lack of understanding of calendars bothers me so. I've read a couple of novels recently written from the viewpoint of people in the Autism spectrum.

I'm somewhat troubled when I consider how my obsessive behavior might be interpreted by a health care professional.

I'd resolve to work on that but again: I think I'll just have fun!

Letter to the Editor,

Our country is in serious trouble. I feel that we are being governed by an administration with a socialist leader that hates America and wants to turn us into a piece of government controlled third world trash, and we are being over regulated and harassed by uncontrolled bureaucratic agencies, some of whom would be fired or jailed if they were in the private sector.

The only ones that could correct this situation is our Congress, but it is controlled by life-time, career, self serving politicians, of both parties, that represent the government and not the people.

The one thing that might save us from all this is term limits. There are a few newly elected Senators and Representatives that know what should be done, but they are blocked by the old timers. In the next election, the new ones need to be re-elected, and the old ones need to go.

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