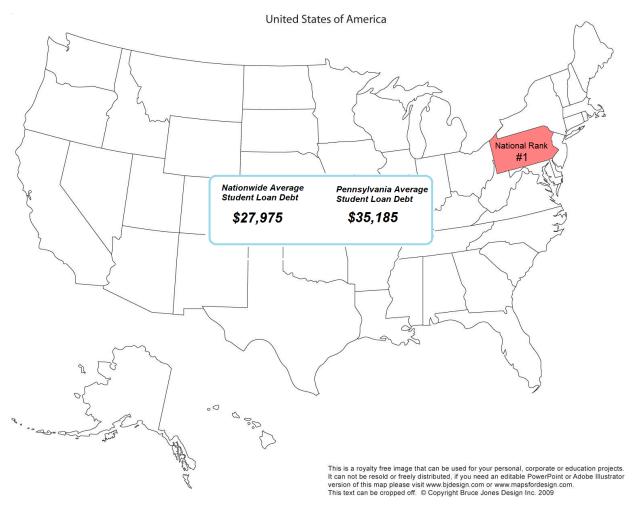


Saving for College with the PA 529 College Savings Program

Western PA College Success Roundtable

Presenter:

Charley Gelb, Field Representative PA Treasury Bureau of Savings Programs (717) 772-0236 cgelb@patreasury.gov www.PA529.com

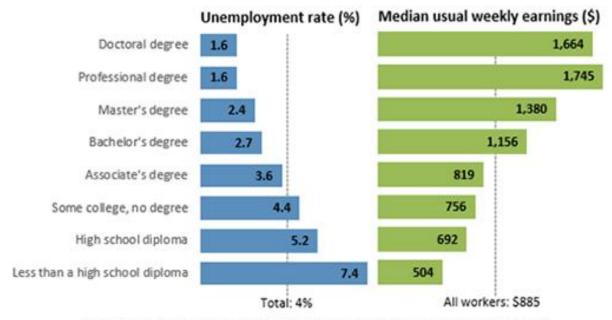


- Total student loan debt tops \$1.48 trillion.¹
- Student loan debt ranks 2nd only to mortgage debt.¹
- PA ranks 1st in highest average student loan debt.²

Source: ¹Federal Reserve Consumer Credit Report (December 2017) | ²LendEDU.com (2017)





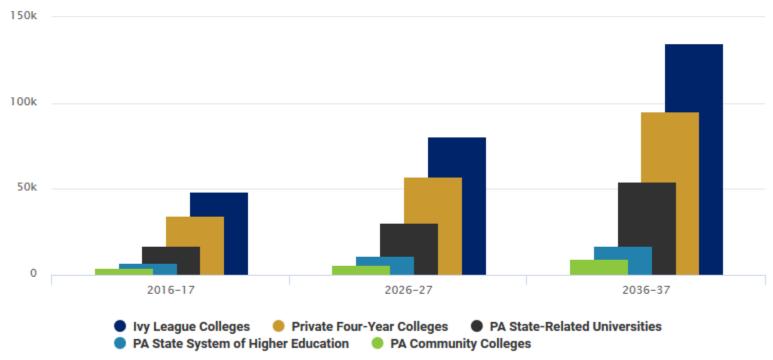


Note: Data are for persons age 25 and over. Earnings are for full-time wage and salary workers. Source: U.S. Bureau of Labor Statistics, Current Population Survey.



This chart compares the average annual cost of tuition for 2016-17 with projected costs in 10 and 20 years.

Current and Projected Annual Tuition Costs





- Affording college is a major financial concern of American families.¹
- Money is a major reason for NOT going to college²
- Still, 9 in 10 parents expect their children to pursue higher education.²
- Kids with a dedicated savings account in their name are more likely to go to college.³
- More than 95% of jobs created during the recovery were filled by a person with at least some post-secondary education.⁴

<u>Sources:</u> ¹Gallup Poll - Economy and Personal Finance survey - April 2017| ²Sallie Mae - How America Saves for College 2016 | ³ The Role of Savings and Wealth in Reducing "Wilt" between Expectations and College Attendance - William Elliott III & Sondra Beverly | ⁴ America's Divided Recovery - Georgetown University Center on Education and the Workforce



PA 529 Savings Program

- -PA 529 Guaranteed Savings Plan (GSP)
- -PA 529 Investment Plan (IP)
- Offered by the Commonwealth of PA
- Administered by the PA Treasury





- Established in 1993 with PA state only benefits. In 1996, federal 529 law provided additional benefits.
- As of 09/30/2017, there are 107,882 accounts with more than \$1.93 billion in assets.
- Growth tied to tuition inflation.



- Established in 2002.
- Fund management with Vanguard
- As of 12/31/2017, there are 108,693 accounts with more than \$2.46 billion in assets.
- Returns tied to financial markets.

- Pennsylvania state-tax deduction. Limit is \$15,000 per taxpayer, per beneficiary, per year.
 - Any Pennsylvania taxpayer may take advantage, even if not owner of 529.
- Earnings grow state & federally tax deferred. No 1099 is sent to account owner each year.
- Earning are state & federally tax-free when used for qualified higher education expenses.
- Contributions are considered completed gifts, but owner retains control. Unique to 529 plans, you may contribute 5 times the yearly gift tax allowance (\$75,000 per year).
- No contribution or income restrictions. Benefits never 'phased out' as income increases.
 - Coverdell Education Savings Accounts have \$2,000 yearly limit and income restrictions.

Current Treatment of 529s on FAFSA

- Commonly treated as parental assets.
 - May impact if owned by non-custodial parent, grandparent or another person.
- Treated as student income the year following the year of the distribution.
- Family must report all 529 holdings, not just for beneficiary applying.



Only PA 529s are not counted on PA financial aid application (PHEAA).

Out of state 529 plans are counted

Additional free reward programs allow for accelerated earnings and tuition discounts.







Federal law defines "qualified higher education expenses" as:

• Tuition, mandatory fees, room and board*, required books/supplies, equipment, including computers**, and costs for special needs.

Federal law also defines qualified institution as:

- A post-secondary school which is eligible to participate in federal financial aid programs (i.e. has a FAFSA code).
- This includes public and private colleges and universities, many trade/career/technical schools, and many schools abroad.

For a complete list please visit the U.S. Dept. of Education Web site for Eligible Schools:

http://www.fafsa.ed.gov

*For both on-campus and-off campus. To be a qualified expense, student must be attending at-least half-time.

^{**}If used primarily by the beneficiary who is enrolled at an eligible educational institution. Retroactive to 12/31/2014.



1) Open an account

- Online at www.PA529.com
- Minimum to open: \$15/GSP or \$25/IP; maximum \$511,758

2) Make contributions

- Any amount of at least \$15/GSP or \$25/IP at any time
- Set up payroll deduction or automatic bank withdrawals
- Have family and friends help through Ugift

3) Maintain account over time

- PA 529 GSP Grows with tuition inflation. Adjust tuition level if needed.
- PA 529 IP Grows with financial markets. Adjust investment portfolios if needed.

4) Use the account for education expenses

Account owner directs who gets paid, how much, and when





Residency: Required

Investment Manager: Treasury

GSP Fees: \$50 enrollment (discounted)

0.44% annual w/ paper delivery

*0.35% annual w/ e-delivery

Growth: with tuition inflation



Residency: Not required

Investment Manager: Vanguard

IP Fees: Free to enroll

- 0.33% - 0.43% annual

\$18/annual (waived w/e-delivery*)

Growth: financial markets

^{*}E-delivery required for statements and transaction/profile confirmations.



- Child doesn't go to school in PA?
- Child doesn't go to school at all?
- Child receives scholarship?
- I need some/all of the money?
- One child needs more than the other?

Options include:

- Do nothing (no time requirements)
- Consider other school options
- Transfer money and/or change beneficiary
- Take non-qualified withdrawal
 - Withdrawal may be subject to taxes and 10 percent penalty.





Save enough for 1 or 120 GSP credits today, have enough to pay for 1 or 120 GSP credits tomorrow.

The growth on your contributions is based on the tuition inflation increases as the type of school (tuition level) selected.

Gives families peace of mind knowing their account is not subject to daily financial market changes.



Total Contributions:

\$5,000

Tuition Inflation Value:

\$6,500

Market Value of Account:

\$5,900

Amount available for qualified withdrawals:

\$5,500



Guarantee is obligation of the GSP Fund, not the Commonwealth

GSP Fund dedicated to pay PA 529 GSP obligations and cannot be used for other purposes

Safeguards in place to protect the GSP fund



Average Tuition Levels

School Specific Tuition Levels

PA Community College Average	Allegheny County, Beaver County, Bucks County, Butler County, Delaware County, Harrisburg Area, Lehigh-Carbon County, Luzerne County, Montgomery County, Northampton County, Pennsylvania Highlands, Philadelphia, Reading Area, and Westmoreland Area	
PA State System Average* *The average does not include Indiana, Mansfield, Shippensburg, or Millersville Universities	Bloomsburg, California, Cheyney, Clarion, East Stroudsburg, Edinboro, Kutztown, Lock Haven, Slippery Rock, and West Chester	
PA State-Related Average	Penn State (including the Pennsylvania College of Technology), Pitt, Lincoln, and Temple	
	Thaddeus Stevens College of Technology	
Private Four-Year Average	No specific schools	
Ivy League Average	No specific schools	



Flexibility of Tuition Levels

- Change Tuition Level at any time retroactive to date of each contribution
- Automatically changed if student attends a Pennsylvania publicly funded school

Importance of Tuition Levels

- Helps account owners measure progress
- Aids actuarial analysis



- Set annually by PA Treasury (effective 9/1 8/31) for each Tuition Level
- Based on actual tuition at Tuition Level
- May be same, more (include "premiums"), or less (include "discounts")
- Credits subject to approximately one-year maturity requirement
- 12 PA 529 GSP credits generally cover one semester's tuition – additional credits needed to cover other qualified expenses



PA 529 GSP Credit Rate Example:

Contribution made 09/01/16 to 08/31/2017: \$100.00

GSP Credits afforded: =0.332

Contribution made 09/01/17 or after: \$100.00

GSP Credits afforded: =0.320

Contribution total = \$200

Total GSP Credits = 0.652

Tuition Inflation Value = $$203.53 = [0.652 \times $312.17]$

*GSP Credit Rate reflects an increase of 3.51% and does not include Indiana, Mansfield, Millersville, or Shippensburg University.

Actual Tuition Inflation Last 5 years (through 2017-2018)

•	Community College Average	24.34%
•	State System of Higher Education	16.55%
•	State-Related Average	13.69%
	 Penn State University 	11.91%
	 University of Pittsburgh 	15.26%
•	Private Four-year College Average	18.99%
•	Ivy League Average	20.86%

Past performance is not a guarantee of future results.



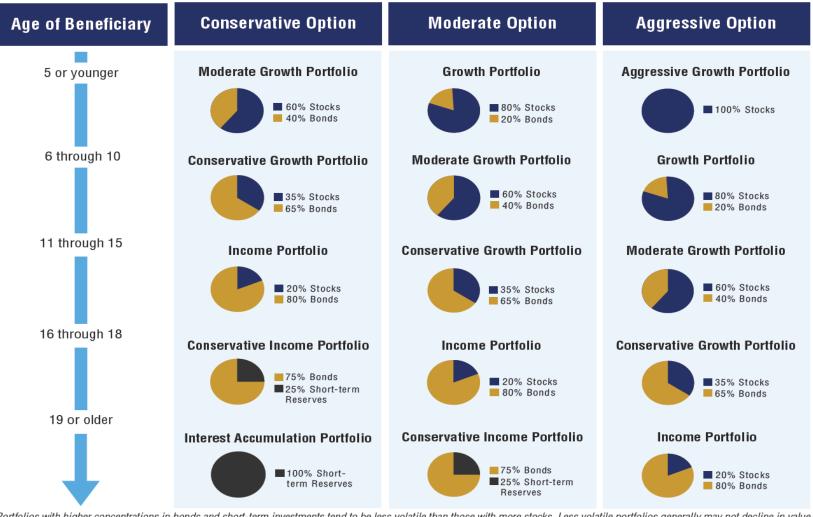


Returns (vs. growth) subject to financial market performance

Wide array of investment options with various asset allocations:

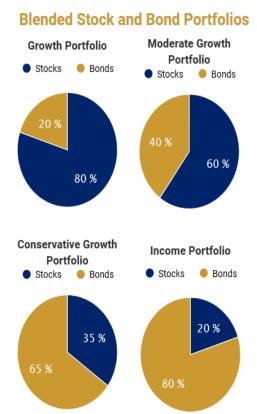
- Three age-based options
- Twelve fixed-allocation options



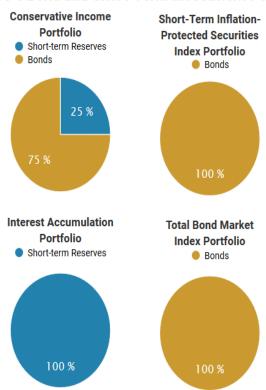


Portfolios with higher concentrations in bonds and short-term investments tend to be less volatile than those with more stocks. Less volatile portfolios generally may not decline in value as much when markets decline, but also may not appreciate in value as much when markets go up. Investments in bonds are subject to interest rate, credit and inflation risk.





100% Bond and Short-Term Investment Portfolios



100% Stock Portfolios





- Contribute in up to 5 portfolios at one time.
- Contribute to age-based and fixed options at the same time.
- Permits two "asset re-allocations" per year.





Enroll Online at PA529.com

Use Code: WPACSR

Expires: 12/31/2019

Or Call 800-440-4000



Federal law expanded 529s for K-12 use in 2018.

•New for 2018 – Qualified education expenses includes tuition up to \$10,000 per year, per beneficiary in connection with enrollment and attendance at an elementary or secondary public, private or religious school.

Federal law also defines qualified institution as:

 A K-12 elementary or secondary public, private or religious school.



This presentation provides only highlights of the PA 529 College Savings Program.

The Pennsylvania 529 College Savings Program sponsors two plans – the PA 529 Guaranteed Savings Plan (GSP) and the PA 529 Investment Plan (IP). The guarantee of the PA 529 Guaranteed Savings Plan is an obligation of the GSP Fund, not the Commonwealth of Pennsylvania or any state agency. Before investing in either plan, please carefully read that plan's disclosure statement (available at www.PA529.com or by calling 1-800-440-4000) to learn more about that plan, including investment objectives, risks, fees, and tax implications.

Before you invest, consider whether your or the beneficiary's home state offers any state tax or other state benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in that state's qualified tuition program.



- Recent college grads are most indebted.
- Younger parents want/need access to this information.
- Room for growth with outreach in elementary, middle, and high schools.



- All PA 529 outreach support and marketing material is available for FREE!
- Workshops, presentations, meetings, webinars, marketing material, and more!
- FREE enrollment codes.





is tied to the rate of college tuition inflation, and the PA 529 Investment Plan (IP), which features 15 investment options provided

Benefits Of Being a School Partner:

by The Vanguard Group. Learn more at PA529.com.

- Demonstrates Commitment Boost earnings & education levels for future graduates
- FREE Resource for Schools PA 529 provides all materials needed
- Expands College Preparation Information Gives parents extra resources

FREE Enrollment

Save \$50! Provide a promo code for free PA 529 Guaranteed Savings Plan enrollment. There is no fee to enroll in the PA 529 Investment Plan.

Together We Succeed

Saving for college has become difficult for many families. As a school partner, you can offer parents important information about how they can make college possible for their loved ones.

What Does a School Partner Do?

A School Partner works with a Program Representative from the PA 529 College Savings Program to provide information to the families in your school district. Participation is completely optional.

Possible Activities Include:

- Sending brochures home with students
- Hosting a free PA 529 college savings workshop or webinar for your school
- Providing information for social media, your website, or newsletters
- Staffing a table at a regular school meeting, back-to-school night, or PTA/PTO event
- Providing a presentation or meeting with Q&A for parents



SCHOOL PARTNER PROGRAM

FREQUENTLY ASKED QUESTIONS

The Pennsylvania 529 College Savinas Program sponsors two plans - the PA 529 Guaranteed Savings Plan (GSP) and the PA 529 Investment Plan (IP). The augrantee of the PA 529 Guaranteed Savinas Plan is an obligation of the GSP Fund, not the Commonwealth of Pennsylvania or any state agency. Before investing in either plan, please carefully read that plan's disclosure statement (available at www.PA529.com or by calling 1-800-440-4000) to learn more about that plan, including investment objectives, risks, fees, and tax implications. Before you invest, consider whether your or the beneficiary's home state offers any state tax or other state benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in that state's qualified tuition program.

IS THERE A COST TO OFFERING THE PA 529 COLLEGE SAVINGS PROGRAM WITHIN MY SCHOOL?

No. Pennsylvania Treasury provides all materials and support at no cost to the school or PTA/PTO Group.

WHAT IS INVOLVED IN OFFERING THE PA 529 COLLEGE SAVINGS PROGRAM TO FAMILIES?

Schools work with a PA 529 Program Representative to best decide how to communicate and distribute information within the district. Examples include adding PA 529 brochures to report cards, inviting a PA 529 representative to your school function (PTA/PTO meeting, back-to-school event, etc.), sending an email announcement, or hosting an educational meeting.

DO I NEED TO DISTRIBUTE FORMS TO PARENTS WHO WISH TO ENROLL?

No. Parents may open and manage accounts directly at www.PA529.com.

IS THERE AN ADVANTAGE FOR FAMILIES WHO RECEIVE PA 529 INFORMATION FROM THEIR SCHOOL?

Yes. School partners get the usual \$50 Guaranteed Savings Plan enrollment fee waived for all new accounts. The school will have a promotional code to enter during enrollment.

DO YOU HAVE REPRESENTATIVES AVAILABLE TO COME TO SCHOOL FUNCTIONS?

Yes. Pennsylvania Treasury has Program Representatives available for educational presentations and webinars to help parents understand and start a PA 529 College Savings Program.

WHAT MATERIAL IS AVAILABLE FOR DISTRIBUTION?

The PA 529 College Savings Program provides brochures, posters, email templates, and other material to make available to parents. PA 529 can also provide you with content for your social media outlets or you may work with PA 529 to customize material.

HOW DO I GET STARTED?

Contact Pennsylvania Treasury at 717-772-5000 or by email at PA529@patreasury.gov to get connected with your PA 529 College Savings Program Representative.



 The PA ABLE Savings Program was created by the Pennsylvania General Assembly and is administered by the Pennsylvania Treasury Department.

- An ABLE account is a savings account for disabilityrelated expenses.
- It gives eligible individuals with qualified disabilities, and their families and friends, a tax-free way to save for disability-related expenses, while maintaining government benefits (with a limitation for SSI).



To be eligible for an ABLE account, a person must:

1. Have a qualifying disability which started before 26th birthday;

AND

2a. Be eligible for Supplemental Security Income (SSI) or Social Security Disability Insurance (SSDI)

OR

2b. Self-certify they meet certain disability standards



QUALIFIED DISABILITY EXPENSES

- Education
- Housing (some limitations)
- Transportation
- Employment training and support
- Assistive technology and personal support services
- Health
- Prevention and wellness
- Financial management and administrative services
- Legal fees
- Expenses for oversight and monitoring
- Funeral and burial expenses

Proposed IRS regulations includes "basic living expenses" and explain all expenses need not be "medically necessary" or for the SOLE benefit of the Eligible Individual



Questions?

