

Investing in Children's Future

The Potential behind Illinois 529s

Tim Mudd

Heartland Alliance for Human Needs & Human Rights

What is a 529 Savings Account?

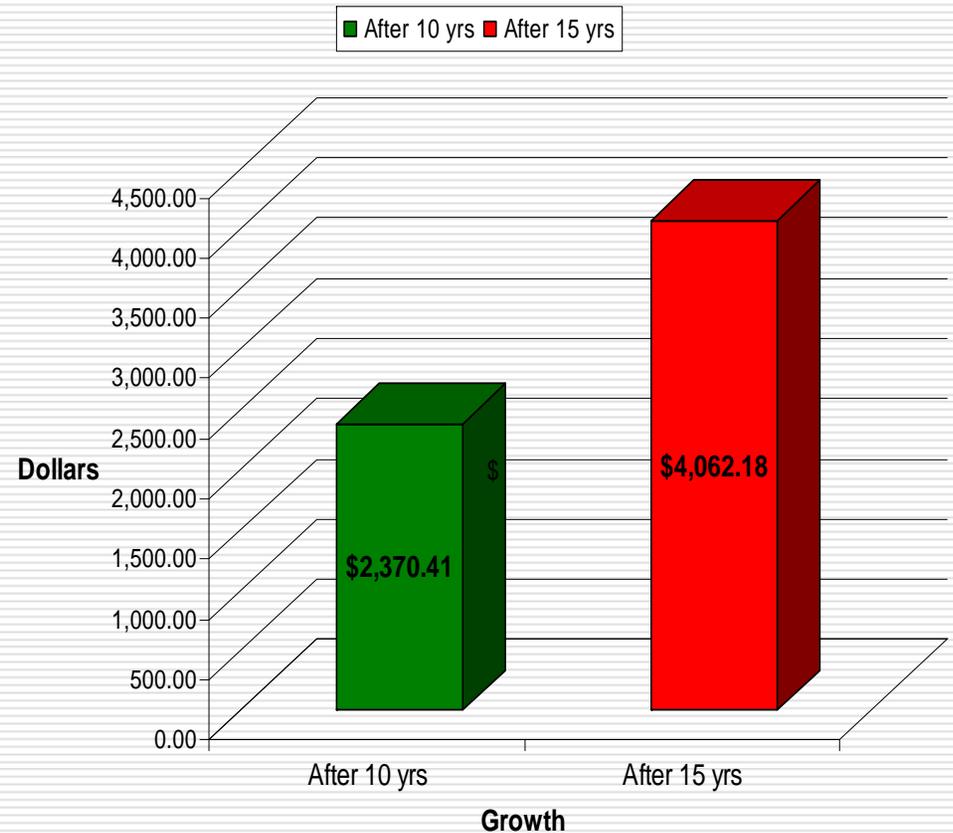
- ❑ Secure, tax advantaged way to help defray the high costs of post-secondary education and training

 - ❑ Eligible expenditures include qualified education and training related expenses
 - tuition, fees, books, and required supplies and equipment as designated by an “eligible educational institution.”

 - ❑ There are over 250 approved institutions in Illinois, including community colleges, trade schools, culinary institutes, and beauty schools
-

Potential Growth

- Hypothetical Growth Scenario: A \$25 initial investment plus \$15 each month over 10- and 15-year periods could yield a significant college nest egg



Importance of Saving for College

- Savings can change the expectations and behaviors of students and their parents when it comes to higher education.
 - Influences expectations, self esteem, and self-efficacy

 - Rising college costs
 - Average cost of one year at a public university in Illinois is \$8,982
-

College Degree

- ❑ Greater Income
- ❑ Higher Employment
- ❑ Increased Revenue for the State



529 Participation

- ❑ People saving in 529 plans have higher incomes and assets than those not saving in these plans.
- ❑ Seventy-five percent of parents earning less than \$35,000 per year reported that they were not familiar with 529 plans

Toward Greater College Savings

Modifications

- ❑ Modifications are needed to provide a truly accessible savings vehicle for low-income families
 - ❑ The State of Illinois offers four different 529 college savings
 - ❑ Illinois Bright Start College Savings Plan - the best one to modify to provide low- and moderate-income households the ability to save and invest for future college attendance.
-

Bright Start Features

Eligibility	No state residency requirements or age restrictions for opening an account
Contributions	Initial minimum contribution of \$25, Minimum subsequent contribution is \$15
Investment Options	Aged based or Static Investment options
Fund Management	Blended Portfolios, Principal Protection Income Portfolio, or index Portfolios
Account Fees	No application or enrollment fees Fees for program management and maintenance
Tax and Benefits	Income tax credit for employers who make a matching student assistance contribution to the program on behalf of an account owner who is also an employee.
Scholarship Opportunity	Annual need-based scholarships ranging from \$1,000 to \$2,500 are awarded by Illinois colleges and deposited into Bright Start College Savings accounts.

Opportunities for Improvement

- Increase Data Access/Collection
 - Exclude 529 accounts from all asset tests on public benefits programs
 - Exempt 529 accounts from the need-based financial aid calculation for universities or institutions of higher education
-

Opportunities for Improvement

- Develop a refundable tax credit based on the contributions to the 529 plan
 - Create a matched-savings component to 529 college savings program for lower-income individuals
 - The Illinois Income Tax Form should include an opportunity for direct deposit of parent's (or other relative's) tax refund into a child's 529 college savings account
-

Opportunities for Improvement

- Create a default investment type
 - An option should automatically be selected for an individual when they enroll in the plan

 - Illinois should promote their 529 college savings program through the Volunteer Tax Assistance Program (VITA) sites

 - Provide marketing materials in languages other than English
-

Thank You!

- Tim Mudd, Heartland Alliance For Human Needs and Human Rights
tmudd@heartlandalliance.org
-