



The Illinois Bright Start Program

Frequently Asked Questions

529 College Savings Plan

1. What is a 529 College Savings Plan?

A 529 College Savings Plan is named after Section 529 of the Internal Revenue Code, and it is often just called a 529 plan. A 529 plan is an account that helps people save money for higher education. It encourages people to save money by offering tax incentives.

Someone with a 529 plan saves money in an account for a beneficiary, who will use the money for higher education. For example, parents often open 529 plans for a child or grandchild (the beneficiary), who can then use the money for college or other post-secondary training expenses.

2. If I save money in a 529 College Savings Plan, what can the money be used for?

Money from a 529 plan may be used for education expenses at any eligible educational institution, including public and private colleges and universities, graduate and post-graduate schools, community colleges, and certain vocational schools. Education expenses may be tuition, fees, cost of books, educational supplies and equipment, and certain room and board expenses.

3. Who is an account owner?

The account owner is the person who is opening the 529 plan. The account is in this person's name. Usually, the account owner is a parent or grandparent opening an account for a child.

4. Who is a beneficiary? If I open a 529 plan, who can I choose to be the beneficiary?

The beneficiary is someone you choose to receive the money for education expenses. In most cases, the beneficiary is someone's child or grandchild. Anyone can be a beneficiary, including you (the account owner). A beneficiary can live anywhere in the United States or abroad. There cannot be more than one beneficiary on the same account.ⁱⁱ

5. Are there state-based 529 plans? Are they different from state-to-state?

Yes. Almost every state has at least one 529 plan with no state residency requirements. In fact, you can open accounts in multiple states. However, 529 plans are different from state to state.ⁱ States can design many parts of the 529 plan, including incentives to encourage savings such as state tax advantages, a matching grant, and scholarship opportunities.

Bright Start College Savings: The Basics of Opening an Account

1. What is the Illinois Bright Start College Savings Program?

The Bright Start College Savings Program is the 529 plan administered by the Illinois State Treasurer's office.ⁱⁱ It helps people save money for a student's future education expenses. Money saved in a Bright Start account is free from federal taxes, so you pay no taxes on any money you make from investing in these accounts. When the student is ready for college, you can make tax-free withdrawals.

2. Who can open a Bright Start account?

Any U.S. citizen or legal resident can open a Bright Start account, regardless of income level or what state you live in.ⁱⁱ Often parents, grandparents, other relatives, or family friends open an account and serve as the account owner for a child (the beneficiary).

To open a Bright Start account, you will need:

- A social security number or an individual taxpayer identification number
- A mailing address
- A check with your bank account routing number.ⁱⁱ

3. How do I open a Bright Start account?

Accounts can be opened in three ways:

1. Enroll online
2. Download and mail an application
3. Order an enrollment kit

You can find out more information about these options on the Bright Start website:

<https://www.brightstartsavings.com>

4. Can I open a Bright Start account at a bank?

No. The Bright Start program is run by the State Treasurer's Office, so you can only open an account through their office. You can see the options for opening an account in the above question.

5. What is the minimum opening deposit? Is there a maximum to how much I can put in?

This is different from state to state. In the Illinois Bright Start program, you are required to contribute at least \$25 to an account when you start it. This can be lowered to \$15 if you sign up for an Automatic Investment Plan (AIP) or a payroll deduction (these are ways

that you can arrange for money to automatically be deposited into your Bright Start account).ⁱⁱ

The maximum amount you can have in an account is \$350,000. Once this amount is reached, you cannot make any more contributions.ⁱⁱ

6. Is there a minimum amount of money required for me to make a contribution?

This is also different from state to state. In the Illinois Bright Start program, contributions must be a minimum of \$15.

Bright Start College Savings: Investment Account Basics

1. What is the difference between a Bright Start account and a savings account?

A Bright Start account is an investment account, meaning that the money you deposit is invested into the market. The goal of investment accounts is to grow your money over time. By contrast, a basic savings account is not invested into the stock market, and will not grow over time from investments in the stock market.

2. Could I lose the money I save in a Bright Start account because it is invested in the stock market?

Like any investment account, there is some risk involved when you invest your money in the stock market through a Bright Start account. You can decide how much risk you want to take with your money when you select an investment option. You can read more about the options in the below question.

3. What are the investment options in a Bright Start 529 College Savings Program?

The Illinois Bright Start Program offers 12 investment options. These options allow you to decide how you want the money invested into the stock market. In other words, you get to choose how much risk you want to take with the money in the Bright Start account. You can choose a high-risk option, a low-risk option, or somewhere in between.

You can also change the investment option over time. For example, as children get closer to needing the money for college, families sometimes consider changing their investment option to a low-risk option to protect the money in the account.

If you have questions about what investment option is best for your family, we recommend that you contact the State Treasurer's Office at 1.877.432.7444 or www.brightstartsavings.com.

4. Who manages the investments?

The state of Illinois works with Oppenheimer Funds, Inc, a private company that specializes in investments. While the Bright Start College Savings Program is administered by the State Treasurer, the investments are managed by Oppenheimer Funds, Inc.

5. Can I change investment options once I have opened an account?

You can change your investment option. However, you can only make two investment changes per calendar year.

6. Do I need to know a lot about the stock market to use a Bright Start account?

No. Once you choose an investment option, Oppenheimer Funds will manage your investments.

7. Can I see how my investments are doing?

Yes. Once you open an account, you can access it online at any time to view its current value.

Bright Start College Savings: Saving Money & Using Money

1. How can I contribute money to a Bright Start account?

You can contribute to an account at any time online by logging into “Access my account” on the Bright Start website. You can also contribute by mail using the Account Maintenance Form, which can also be found on the Bright Start website. Money can also be transferred from your bank account to your Bright Start account using the Automatic Investment Plan (AIP).ⁱⁱ For example, you could use the Automatic Investment Plan to automatically transfer \$20 from your bank account to your Bright Start account every month.

2. Who can contribute to a Bright Start Account?

Any family member or friend can contribute to a Bright Start Account, no matter where they live. Corporations, partnerships, trusts or charitable organizations can also contribute to Bright Start Accounts.

3. Will the money in my 529 plan impact my child’s eligibility for financial aid?

Yes, money in a Bright Start account is considered when you apply for financial aid. However, it is a small percentage of the financial aid calculation, so we still consider it to be beneficial for you to save using Bright Start accounts.

4. Does the money have to be used at a college in Illinois?

No. The money can be used at any accredited public or private post-secondary institution in the U.S. and abroad.

5. What if my child doesn't go to college?

There are three options if your child (or other beneficiary) does not go to college:

1. Keep money in the account. The money will be available if your child changes his/her mind about school. There is no limit to when your child can use the money.
2. Change the beneficiary. You can change the beneficiary at any time, as long as the new beneficiary is a qualified family member.
3. Withdraw the money from the account. This would be called a "nonqualified withdrawal," meaning that the money is not being used to pay for education expenses. There will be a tax penalty when you withdraw the funds.ⁱⁱ

6. Can I change the beneficiary on a Bright Start College Savings Program account?

You may change the beneficiary to certain family members of the old beneficiary without penalty. However, if the new beneficiary is not a family member of the old beneficiary, then you may receive a tax penalty.

7. Can I withdraw the money early?

You can take money from the account at any time. However, if the money is not used for higher education expenses, there will be a tax penalty.ⁱⁱ

8. What happens to the money in a Bright Start account if the account owner dies?

The account owner has the opportunity to name a "successor," someone who will take over the account if the account owner dies. If there isn't a successor named, the account is usually transferred to the account owner's estate.ⁱⁱ

Bright Start College Savings: Tax Incentives & Fees

1. What are the tax incentives for having a 529 Plan?

Bright Start earnings are not taxed by the federal government, so you don't pay taxes on any increases in the account. For example, if you deposit \$1000 in the account, and the account gains \$100 through its investments, the \$100 will not be taxed by the federal government. If you live in Illinois, there are also state tax benefits.

2. Do 529 Plans have fees?

There are some fees associated with the Bright Start College Savings Account, including program management fees, expenses of the underlying investments, and total asset-based expense ratio. The fees are different depending on what investment option you choose.ⁱ

All investment accounts have fees. The fee for the Illinois Bright Start Program is approximately 0.56%, which is considered to be on the lower end. The State of Illinois and Oppenheimer Funds, Inc. work to keep the fees low.

3. Where can I get help opening a Bright Start Account?

If you would like to open a Bright Start Account, you can visit the website, www.brightstartsavings.com or you can call 1-877-43-BRIGHT (1-877-432-7444).

i. http://www.savingforcollege.com/intro_to_529s/what-is-a-529-plan.php

ii. https://www.brightstartsavings.com/OFI529/PN/generated/en_us/PrimaryNavigation_07-07-08-134327.xml