



THE CHANGING LANDSCAPE OF COLLEGE PLANNING

WA529
WASHINGTON COLLEGE SAVINGS PLANS

Luke Minor | WA529 Director | May 9, 2024

Overview (10-15 minutes)

- Brief review of 529 plans
- Washington's 529 options:
 - GET
 - DreamAhead

New Developments (20 minutes)

- Recent national and state legislative enhancements and policy impacts
- 529 to Roth IRA rollovers
- WA529-specific updates

The Big Picture (10-15 minutes)

- Interaction of 529 plans with other college funding resources
- FAFSA simplification and 529 plans
- Federal, state, and institutional aid considerations

Discussion & Resources (10-15 minutes)

- Q&A – 10-15 min
- College savings and readiness resources
- Further reading suggestions
- Connect with us to set up workshops, lunch & learns, & webinars

TODAY'S LEARNING OBJECTIVES

- #1** Review 529 college savings plans and Washington's offerings
- #2** Get up to speed on the changing national and state 529 plan landscape
- #3** Examine 529 plan interactions with the updated FAFSA
- #4** Discuss additional college funding resources available through the State of Washington

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OVERVIEW



Students who know there is a college and education savings account for them are more likely to graduate and attend post-secondary education, regardless of the amount saved.



College and education savings accounts are an essential early intervention tool that fosters financial empowerment and builds a college-going identity at a young age.



When possible, saving is better than borrowing. For many families, savings is a vital tool to help cover the gap between what grant-based aid can cover and the cost of attendance.



College savings tools such as 529 plans offer federal tax benefits (and additional state tax benefits in several states).

WHAT ARE 529 PLANS?

- Tax-advantaged college savings plans
- Named for Section 529 of the Internal Revenue Code
- Legally known as “qualified tuition programs (QTPs)”
- Sponsored by a state or educational institutions
- Tax-deferred growth; tax-free withdrawals when used for “qualified higher education expenses (QHEE)”

- History

- First plans opened in 1986 (Florida, Michigan, Wyoming)
- Federal enabling legislation in 1996
- Full tax-free treatment in 2001 (Tax Relief Act)
 - made permanent in 2006

- Current status

- 49 states, Washington D.C., and one consortium of private colleges sponsor at least one 529 plan
- Qualified expenses recently expanded to include apprenticeships, loan repayment, and Roth IRA rollovers

National Stats
(as of June 30, 2023):

\$450B in assets

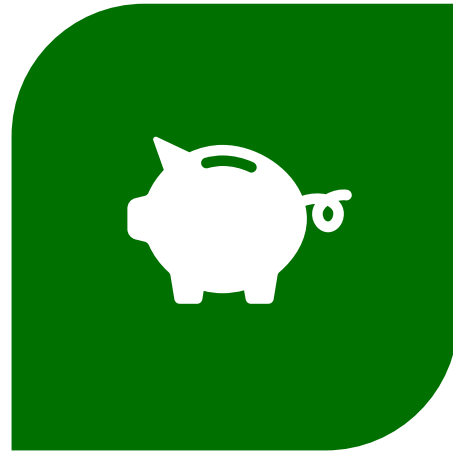
16.25M accounts

**\$27.7K avg.
account balance**

TYPES OF 529 PLANS



PREPAID
TUITION
PLANS



DIRECT SOLD
INVESTMENT/
SAVINGS PLANS



ADVISOR SOLD
INVESTMENT/
SAVINGS PLANS

QUALIFIED EDUCATIONAL EXPENSES



ROOM AND BOARD

Expenses for campus housing and meal plans or certain off-campus rent and food costs. Students must attend at least half-time. Expenses can't exceed room and board allowances listed in an institutions 'Cost of Attendance budget.'



TUITION AND FEES

Includes full or part time status for undergraduate or graduate programs. Also includes state-mandated fees such as operating, building, and services and activities fees.



BOOKS AND SUPPLIES

Text books, supplies and certain items required in a syllabus for course work.



COMPUTERS AND EQUIPMENT

Purchase of computer or peripheral equipment, computer software, and Internet access to be used primarily by a529 plan beneficiary while enrolled.

SPECIAL NEEDS

Expenses of a student with special needs that are necessary in connection with that person's higher education.



APPRENTICESHIP PROGRAMS

Certain expenses associated with apprenticeship programs registered and certified by the Secretary of Labor under the National Apprenticeship Act.



STUDENT LOANS

Principal and interest on qualified education loans of a beneficiary or the sibling of a beneficiary. This provision applies to repayments up to \$10,000 per individual.



K-12 TUITION

Up to \$10,000 annually at elementary and secondary public, private, and religious schools.

Note: WA529 plans are designed to save for expenses at postsecondary school and not intended to meet your K-12 savings goals. Please consult a tax and/or financial professional.



529 PLAN FEATURES AND LIMITATIONS

- Account owner maintains complete control of account
- Typically, relatively high contribution limits compared to other options (\$500,000 in WA)
- No annual contribution maximums, though savers may be limited by the annual gift tax exclusion amount of \$18,000 (\$36,000 for couples)
 - The IRS allows larger amounts (up to five years) to be made in a single year
- Favorable financial aid treatment compared to other assets/income in many cases
 - FAFSA simplification made changes to treatment on accounts owned by someone other than the beneficiary's parent
- Some states offer additional incentives/tax benefits to in-state residents

- GET opened in 1998; DreamAhead opened in 2018
- Statutory purpose (RCW 28B.95):
 - Help make higher education affordable and accessible;
 - Encourage savings and enhance the ability of WA residents to obtain financial access to institutions of higher education;
 - Encourage elementary and secondary school students to do well in school as a means of preparing for and aspiring to higher education attendance; and
 - Promote a well-educated and financially secure population.

WA529 PLANS OVERVIEW

	Guaranteed Education Tuition (GET) Program	DreamAhead College Investment Plan
Plan Name	529 Prepaid Tuition Plan Enrollment period November – May	529 Investment Plan Year-round enrollment
Plan Type	Defined Benefit: hedge against tuition growth at highest priced WA public university. State-backed guarantee.	Defined Contribution: Account growth tied to investment performance and are not guaranteed.
Governance and Administration	Five-member governing committee supported by staff at WSAC and the Office of the State Actuary. WSAC self-administers plan operations.	Five-member governing committee supported by WSAC staff. Program management services provided by Vestwell State Savings.
Investment Manager	Washington State Investment Board	BNY Mellon Advisors
Common Features/Benefits	<ul style="list-style-type: none"> • Transferability: beneficiary can be changed to another family member • Tax-deferred growth and tax-free withdrawals when used for qualified expenses • Flexible usage: students can attend public, private, community or technical colleges nationwide and including registered apprenticeship programs and pay for a variety of “Qualified Higher Education Expenses” • Anyone can open and/or contribute to an account for a beneficiary 	

WA529 PLANS OVERVIEW

Guaranteed Education Tuition (GET) Program	DreamAhead College Investment Plan
Unit System – 100 = 1 Year	Investor chooses investment portfolio.
State-backed guarantee to match future resident undergraduate tuition and state-mandated fees at highest priced WA public university (not guaranteed to increase).	Returns subject to investment performance and may lose value (no state-backed guarantee).
Choose a contribution plan: <ul style="list-style-type: none"> - Lump Sum (<i>one-time or on-going</i>) - Custom Monthly (<i>currently suspended</i>) - Combination of both (<i>when available</i>) 	Investors can choose from: <ul style="list-style-type: none"> - Age-based plans that self-adjust from more aggressive to more conservative investments as a student ages; - Risk-based fixed allocation portfolios that do not change over time. - A combination of portfolios.
Lifetime maximum per beneficiary – 800 units Student beneficiary can used up to 200 units per academic year.	No additional contributions once account balance reaches \$500,000 for all WA529 accounts (DreamAhead and GET) with the same beneficiary.
Initial residency requirement.	No residency requirement.

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NEW DEVELOPMENTS

PATH Act (2015)

- Allows for recontribution of 529 plan withdrawals
- Adds computers, internet access and related equipment as QHEE

SECURE Act (2020)

- Adds apprenticeship program and certain student loan expenses as QHEE

Tax Cut and Jobs Act (2017)

- Adds up to \$10,000 in K-12 tuition expenses as QHEE
- Allows for rollovers to ABLE (529A) plans

SECURE 2.0 Act (2022)

- Adds tax-free rollovers of unused 529 funds to a Roth IRA for 529 beneficiary

- Tax-free rollovers from 529 to Roth IRA plans permissible effective January 1, 2024
- The rollover can only be for the 529 beneficiary
- The 529 account must have been maintained for 15 years or longer
- Any 529 contributions (and associated earnings) within the last 5 years are ineligible
- Annual limit: federal IRA contribution limit for the year, less any standard IRA (Roth or traditional) contributions made for the year
- Lifetime limit: \$35,000

GET Unit Pricing Trends

- Starting with 2021-22 GET enrollment year, three straight years of GET unit prices with no premium over current payout (\$120.16 for 2023-24)
- Pricing rollback for customers who purchased units in 2019-20 and 2020-21

GET Contribution Guarantee

- To protect customers, especially those with higher-priced Custom Monthly Plan contracts, the WA529 Committee voted to ensure all existing accounts as of 06.30.22 receive no less than all contributions, including finance charges

GET Custom Monthly Plan suspension

- Effective November 1, 2022 and until further notice, GET has paused the sale of new Custom Monthly Plan contracts

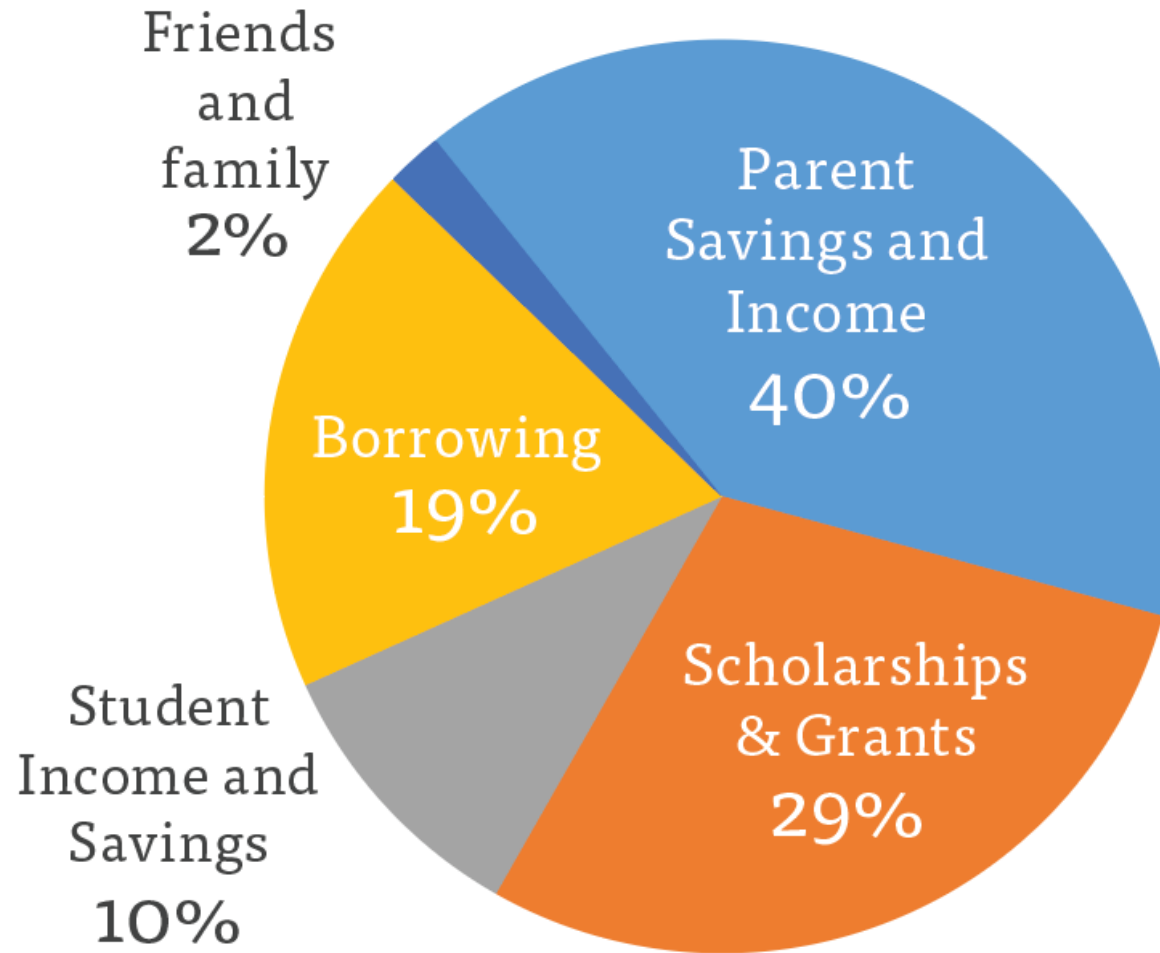
RFP for DreamAhead Program Management Services

- Apparent successful bidder announced March 7, 2024
 - TIAA-CREF Tuition Financing, Inc.
- Currently in contract negotiations
 - Target transition date of late 2024/early 2025
- Expected enhancements
 - Lower fees for plan participants
 - Streamlined investment lineup
 - Enhanced account management, communication, and outreach tools and resources

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THE BIG PICTURE

HOW FAMILIES PAY FOR COLLEGE



HOW FAMILIES PAY FOR COLLEGE

Source:
"2023 How America Pays for College"
(Sallie Mae, 2023)



**Will savings impact
financial aid eligibility?**

Parent or Dependent student is 529 plan account owner:

- Considered a parental asset on FAFSA and CSS Profile.
- May impact need-based aid up to 5.64% of the account value.

**Grandparent/non-custodial parent or another person is 529
account owner:**

- Not considered on FAFSA but may be considered as student asset on CSS Profile.
- May impact need-based aid up to 25% of the account value on CSS Profile.

- Delayed rollout of 2023-24 form
- Fewer questions
- Student Aid Index (SAI) replaced Expected Family Contribution (EFC)
- Changes to treatment of multiple students in college
- Withdrawals from non-parent owned 529 accounts no longer considered untaxed student income for FAFSA purposes
 - May still be considered on CSS Profile

- State financial aid
 - Washington College Grant (WA Grant)
 - College Bound
 - State Work Study
 - Passport to Careers
 - Merit-based programs
 - Targeted workforce programs
 - FAFSA/WASFA support

Learn more at
wsac.wa.gov

- Other programs
 - GEAR UP
 - theWashBoard.org – scholarship opportunities
 - Student, parent, and educator education and outreach – college and career planning resources, 12th Year Campaign, Otterbot, Aim Higher, Financial Aid Toolkit, etc.
- Student loan supports
 - Loan forgiveness programs
 - Student loan advocate
- Policy and research
 - Regional Challenge Grants

Learn more at
wsac.wa.gov

- WA Grant is one of the most generous financial aid programs in the country.
- The amount a student receives depends on family size, income, and the cost of your school or program.
 - For example, if your family of four makes:
 - \$78,500 or less, college or career training could be free!
 - Up to \$120,500, a student could get some money for college or training.



DISCUSSION & RESOURCES

- Gather Washington College Saving Plans resources and review the GET and DreamAhead FAQs
- Be prepared to field client inquiries about GET and DreamAhead and discuss how they compare to other options
- Connect with us anytime with general questions or to help a mutual customer/client
- Let us know of any other ways that we can help you

WHAT QUESTIONS DO YOU HAVE?

- Q&A: 10-15 minutes



- **Washington's College Savings Plans:** 529.wa.gov
 - Info specifically for financial advisors: <https://529.wa.gov/financial-planner-info>
- **Washington Student Achievement Council** (WA529 parent agency): www.wsac.wa.gov
- **College Savings Plans Network** (learn about 529 plans nationwide): www.collegesavings.org
- **IRS Publication 970** (learn about 529 plan tax treatment and benefits): www.irs.gov/publications/p970
- **The new FAFSA**
 - U.S. Department of Education information: <https://studentaid.gov/h/apply-for-aid/fafsa>
 - Washington State resources: <https://wsac.wa.gov/2024-25-FAFSA-Updates>

- Washington State ABLE Savings Plan
 - <https://www.washingtonstateable.com/>
- Financial Education Public-Private Partnership (FEPPP)
 - <https://ospi.k12.wa.us/student-success/resources-subject-area/financial-education/financial-education-resources>
- Department of Financial Institutions
 - <https://dfi.wa.gov/financial-education>
- Washington State Office of the State Treasurer
 - <https://tre.wa.gov/policy-and-education/personal-finances>



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DreamAhead Customer Service

529.wa.gov/contact-us, 844.529.5845

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THANK YOU!