



529 Plans help make higher education more accessible and affordable for American families

The Challenge: Paying for College in America

More than 62% of all U.S. jobs require at least a two- or four-year degree, and that number is expected to increase to 75% by 2020.

U.S. student loan debt now exceeds credit card debt – student loans exceeded \$100 billion for the first time in 2010, and outstanding loan balances surpassed \$1 trillion, meaning American students now owe more money in student loans than all Americans owe in credit card debt. Also, today's students are borrowing twice as much for college than just a decade ago, adjusted for inflation.

Children with any college savings are six times more likely to attend a four-year college than children with no dedicated college savings account. Saving for college sends our children a powerful, affirmative message that we are serious about helping them prepare for the future.

Saving for college reduces dependence on debt – one year of average college costs (in-state tuition and fees including room and board) is \$17,131. The same \$17,131 would cost \$24,942 to borrow and pay back at 8% interest over 10 years.

The Opportunity: 529 Plans

A 529 plan is a tax-advantaged investment plan designed to encourage saving for the future higher education expenses of a designated beneficiary such as a child, grandchild or any other individual, including oneself. Any earnings grow tax deferred and all withdrawals used for qualified higher education expenses are exempt from federal and state tax. There is no maximum age for 529 savings plan participants, making them flexible vehicles for anyone seeking more education. Assets may also be used at eligible schools offering adult career training or advanced degrees, including part-time programs.

Nearly every state offers at least one 529 plan

Today, 49 states and the District of Columbia offer 107 savings and prepaid tuition plans. States provide outreach to low and moderate income families, fiscal oversight and unique benefits such as matching grants.

Millions of families have committed to saving with a 529 plan

There were 10.74 million open accounts at year-end 2011 – a 6.6 percent increase since 2010. Also, 1.4 million investors used 529 plan assets to pay for higher education in 2011, totaling \$11.29 billion in distributions.



529 plan investments at record levels, with thousands of investment options available

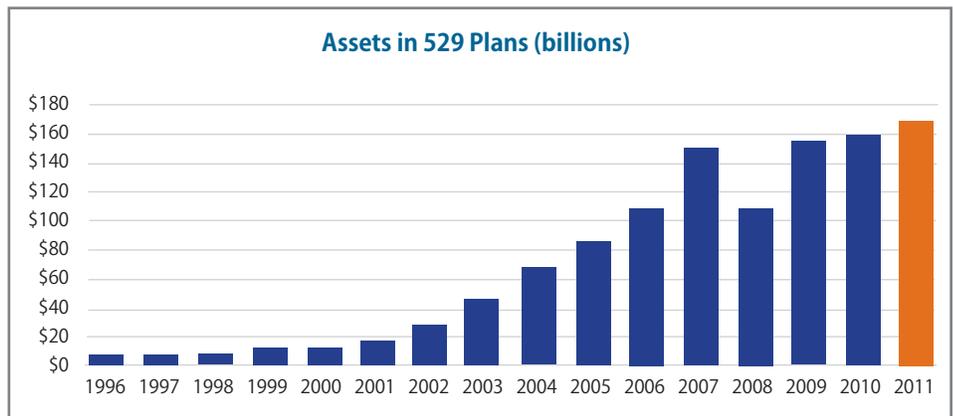
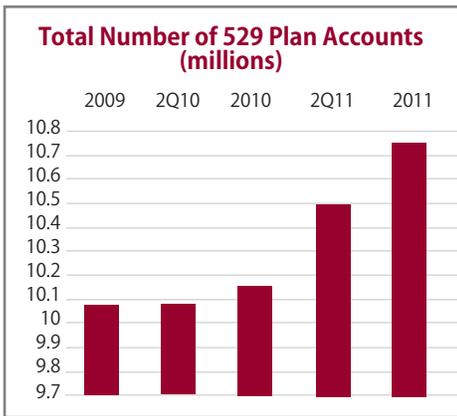
Total investments in 529 plans reached a record level of \$164.86 billion in 2011, which is an increase of 4.7% from 2010, including growth from new net contributions and investment returns. 529 plans also offer a wide range of investment options, from FDIC-insured bank products to fixed income (bond) and equity (stock) investment options.

Saving for college in a 529 plan is affordable

With minimum contributions starting at \$15 a month, 529 plans are a convenient way for families of all income levels to save for college. Even small contributions can add up to significant savings when invested regularly over 18 years.

It's easy to select and open a 529 plan

Families can visit CollegeSavings.org to learn more about 529 plans, research their home state's plan and compare plans. They can also consult a financial advisor.



The Need: H.R. 529

States have worked with Congress over the years to make college more accessible through 529 college savings plans. In 2006, Congress made permanent the tax exemption on earnings used for qualified education expenses, bringing certainty to millions of families and encouraging even more to plan and save for college.

Today, states seek to make saving for college in 529 plans even easier, more useful, and more affordable. Through the College Savings Plans Network (CSPN), states and their private sector partners have worked with Congress on four changes that will enhance the effectiveness and versatility of these plans for American families. H.R. 529 was introduced on February 8, 2011 by Rep. Lynn Jenkins (R-KS) and Rep. Ron Kind (D-WI) and seven of their colleagues in the House of Representatives.

Extend the current SAVER's Tax Credit to college savings

The bill would extend the SAVER's credit (currently for retirement contributions) to contributions to 529 plan accounts by the account owner. The SAVER's credit allows a nonrefundable tax credit to the contributor of up to \$1,000 for single filers or \$2,000 for joint filers. The eligibility for this credit is limited to those with income at or below \$28,750 single/\$57,500 married for 2012. This significant change will help make 529 accounts more accessible to all families and will increase college savings by families of low and moderate income levels.

Encourage employers to match employees' college savings

H.R. 529 allows employers to match employees' 529 contributions of up to \$600 per year, with the employee being allowed to exclude the employer match from gross income, much as they can exclude greater amounts (up to \$5,250) that employers provide to employees in existing educational assistance plans. This would provide a valuable incentive for companies to assist their employees in saving for college. It could also fund a 529 account that could be used to help retrain an employee if they lose a job or need to develop new skills to keep a job.

Treat computers as an eligible college expense

The bill will make permanent the clarification that computers and related equipment are qualified expenses for 529 account funds. A two-year version of this was included in the American Recovery and Reinvestment Act of 2009.

Allow limited flexibility in investment direction

The bill would also codify and update a Treasury notice (Treasury Notice 2009-1), allowing account owners the opportunity to change investment direction up to four times a year, instead of the current once per year. Increased investment direction helps parents respond more effectively to market volatility.

About College Savings Plans Network (CSPN)

College Savings Plans Network (CSPN) is a leading voice for Section 529 College Savings Plans, one of the most popular, convenient and tax-advantaged ways to save for college. CSPN is a not-for-profit association affiliated with the National Association of State Treasurers (NAST) that brings together state administrators of 529 savings and prepaid plans as well as their private sector partners. CSPN's website, **CollegeSavings.org**, has information that families of all income levels can use to make informed college saving decisions, including a unique tool that allows users to compare details about all 529 plans.

Please sign on as a cosponsor of the Jenkins/Kind bill to enhance Section 529 plan college saving opportunities for American Families.

To cosponsor H.R. 529, or if you have questions, staff should contact:

Colin Brainard in Rep. Jenkins' office at 225-6601 or e-mail him at Colin.Brainard@mail.house.gov.

Rachel Stanley in Rep. Kind's office at 225-5506 or e-mail her at Rachel.Stanley@mail.house.gov.

