

# Washington College Savings Update

December 2017



# Some Food for Thought

- **Students with college savings accounts are more likely to attend and finish college than those who don't.**  
(Elliott, Song, & Nam, 2013)
- **The modern US culture is a debt-driven culture. Nationwide, student load debt is now at \$1.4 trillion.**(Federal Reserve, 2016)
- **Nationally there is a movement to flip this model from debt-driven to savings driven culture.**



# What is a 529 Plan?

- **A tax-advantaged way to save for college**
  - Savings grow tax-free when used for qualified higher education expenses
- **Two types**
  - Prepaid tuition plans (defined benefit)
    - GET is this type of plan
  - College savings plans (defined contribution)
    - Most states have these
    - Washington may offer this type in 2018



# What is a 529 Plan?

- **Benefits**

- Tax-free growth and withdrawals when used for qualified higher education expenses
- Use at universities, community colleges, and technical and trade schools nationwide and in other countries
- Use for tuition, fees, room and board, books and required supplies
- Reduce reliance on student debt to pay for college



# What is GET?

- **Washington's 529 Prepaid Tuition Program**
- **Established in 1998**
- **Helps families plan for future college expenses**
- **Same federal tax benefits as all other 529 plans**



# How does GET work?

- 1. Unit system – 100 units = 1 year**
- 2. Guaranteed:**
  - Resident undergraduate tuition and state-mandated fees of the highest priced WA public university.
- 3. Chose a contribution plan:**
  - Lump Sum
  - Custom Monthly
  - Combination (Custom Monthly and Lump Sum)
- 4. Lifetime maximum per beneficiary is 600 units.**
- 5. Student can use up to 150 per academic year.**
- 6. Initial residency requirement.**
- 7. Anyone can contribute to an account.**



# How do families pay for school with GET?



## 1. Direct Payment Request

- GET makes payment directly to the school for tuition, fees and/or on-campus room & board.

## 2. Reimbursement to Account Owner

- Account Owner has paid eligible expenses out of pocket.
- Student can be reimbursed when Account Owner requests it.

## 3. Distributions and expenses must occur in same calendar year.

## 4. Student can use up to 150 units per year, plus carry over.



# What is DreamAhead?

1. 529 college savings plan.
2. Expected opening in early 2018.
3. Open to residents and non-residents.
4. As with all other 529 plans, the earnings grow tax-free and remain tax-free when used for qualified educational expenses.
5. Students can attend public, private, community or technical colleges nationwide.



# How will DreamAhead work?

- 1. Investor chooses investment portfolio.**
- 2. Returns subject to investment performance (i.e. not guaranteed).**
- 3. Investors can choose from:**
  1. Age-based plans that self-adjust from more aggressive to more conservative investments as a student ages;
  2. Risk-based fixed allocation portfolios that do not change over time.
  3. A combination of portfolios.
- 4. No state residency requirement.**
- 5. Anyone can contribute.**

# How Can Families Keep it Going?



- Save regularly; consider putting portions of tax refunds or pay raises into college savings
- Keep track of important educational milestones
- Remind loved ones about the gift of college savings
- Consider additional ways to save
- Take students on college campus visits
- Begin exploring scholarships and financial aid early

# Top Four “What Ifs”

- **Student gets a scholarship?**

Save, use for other expenses, transfer to another family member.

- **Student decides not to go to college?**

Hold longer, transfer to another family member, refund.

- **Family moves out of state?**

Continue to contribute and use as planned.

- **Family’s financial situation changes?**

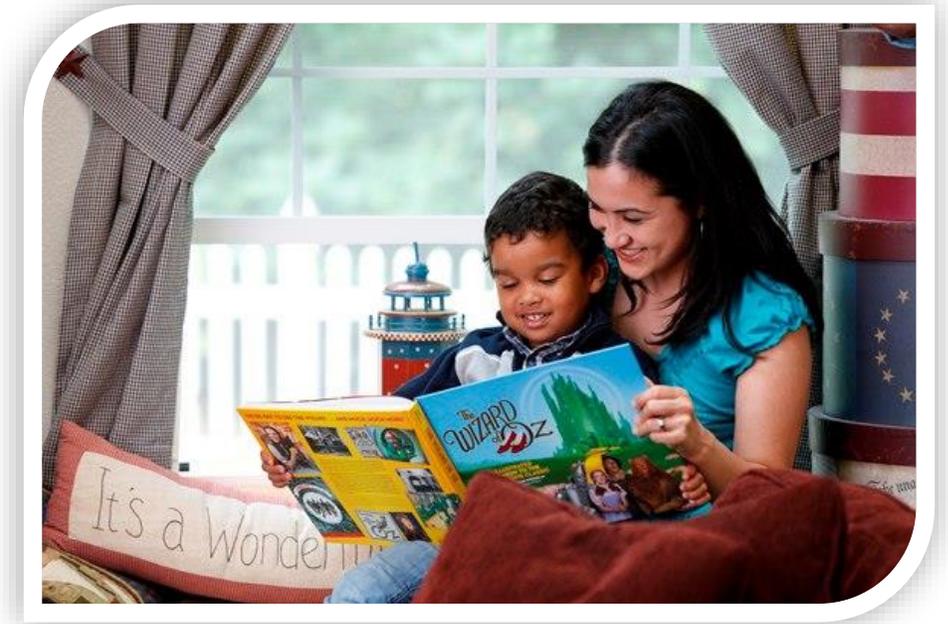
Change the plan type or refund.



**There are options!**

# Further Reading

- **GET Program** (learn about GET and find updates)
  - [www.get.wa.gov](http://www.get.wa.gov)
- **Washington Student Achievement Council** (learn about the agency that administers GET and financial aid programs)
  - [www.wsac.wa.gov](http://www.wsac.wa.gov); [www.readyssetgrad.org](http://www.readyssetgrad.org)
- **College Savings Plans Network** (learn about 529 plans nationwide)
  - [www.collegesavings.org](http://www.collegesavings.org)
- **IRS Publication 970** (learn about 529 plan tax treatment and benefits)
  - [www.irs.gov/publications/p970](http://www.irs.gov/publications/p970)



# Discussion – Any Questions?



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