



# PA 529 College and Career Savings Program

*Building a Better Future  
Through Education*



# Saving for Education with the PA 529 College and Career Savings Programs

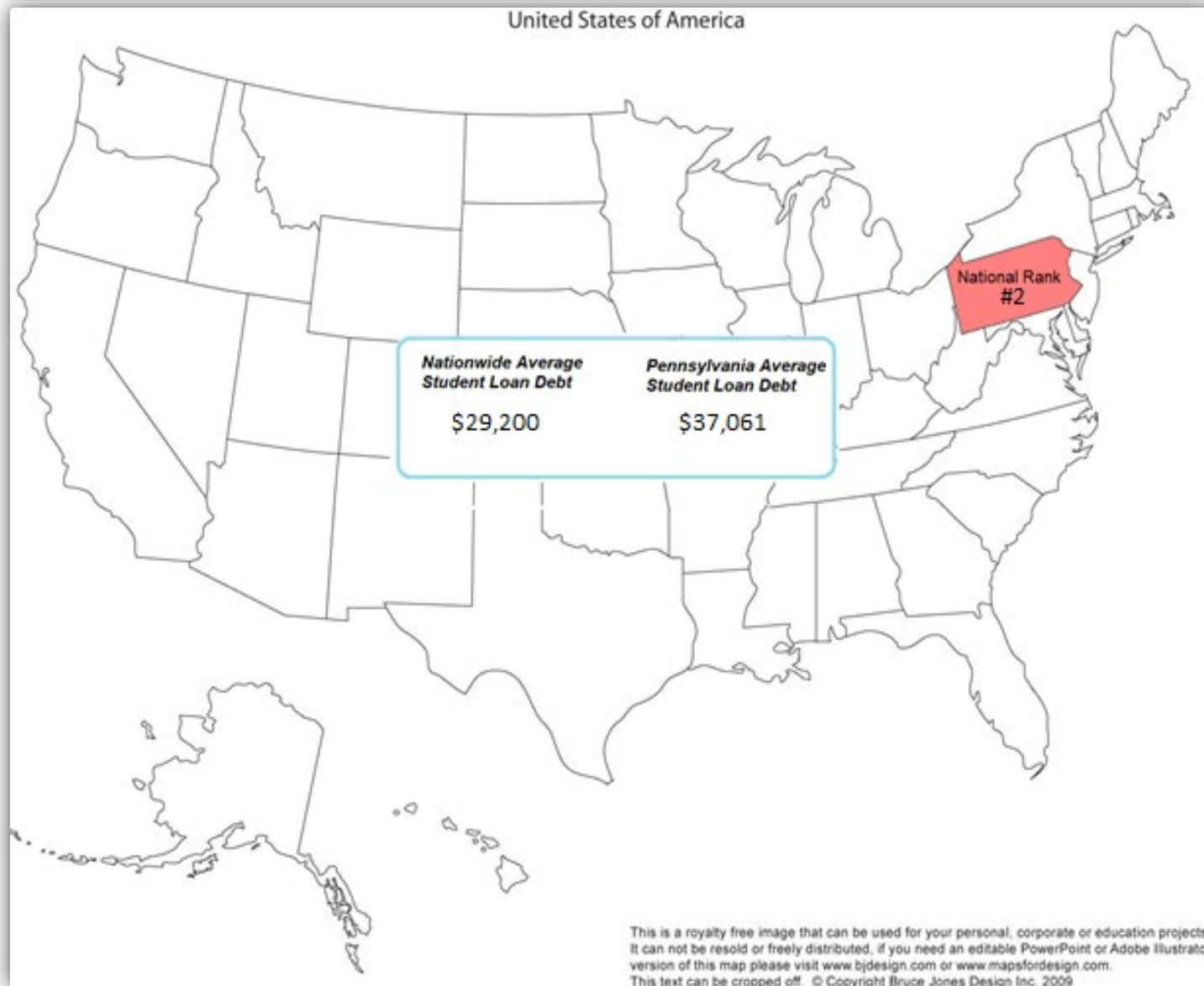
Presented by:

Karen Carr

800-440-4000

*[PA529@patreasury.gov](mailto:PA529@patreasury.gov)*

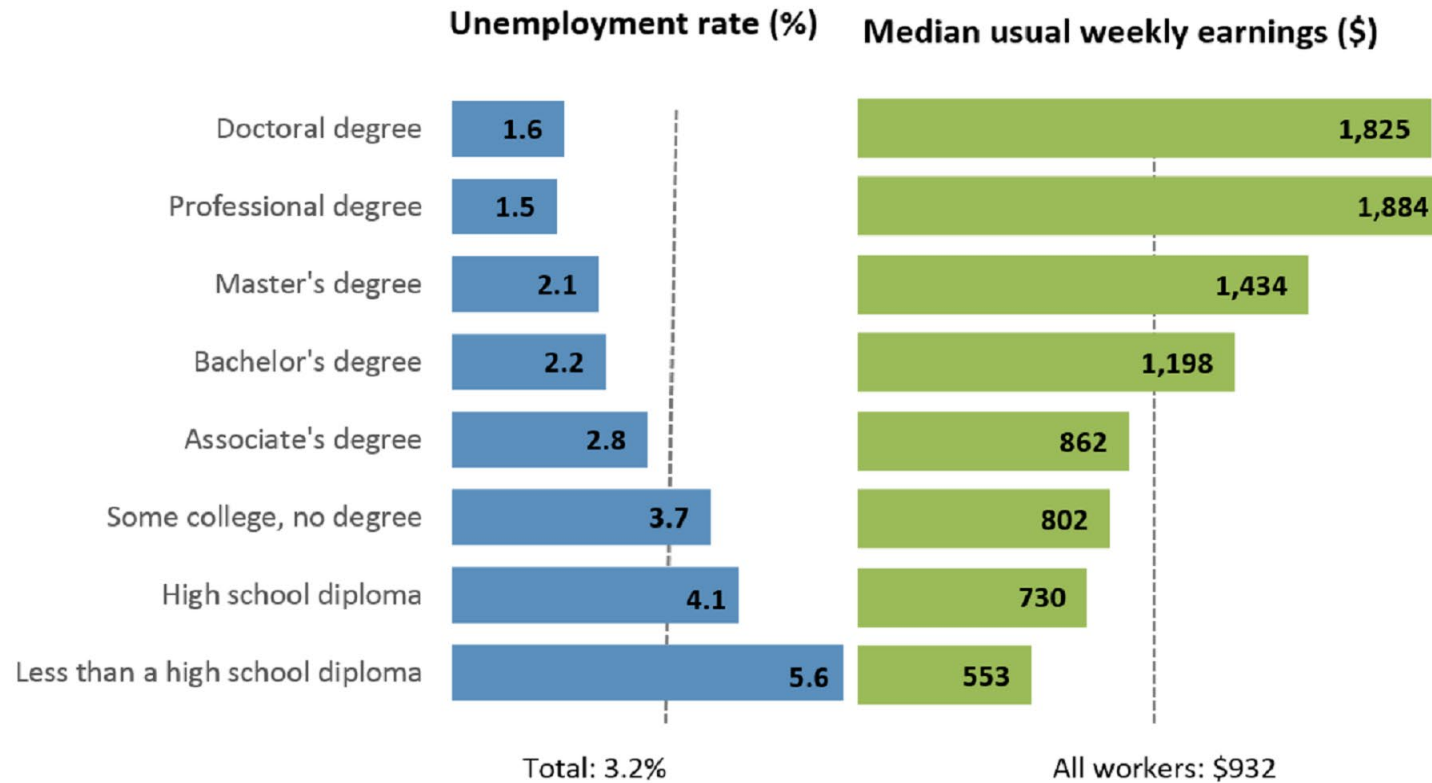
[PA529.com](http://PA529.com)



- Total student loan debt tops \$1.6 trillion.<sup>1</sup>
- PA ranks 2<sup>nd</sup> in highest average student loan debt.<sup>2</sup>

Source: <sup>1</sup>Federal Reserve Consumer Credit Report (June 2019)  
| <sup>2</sup>The Institute for College Access & Success (TICAS) – Project on Student Debt (2018)

## Unemployment rates and earnings by educational attainment, 2018

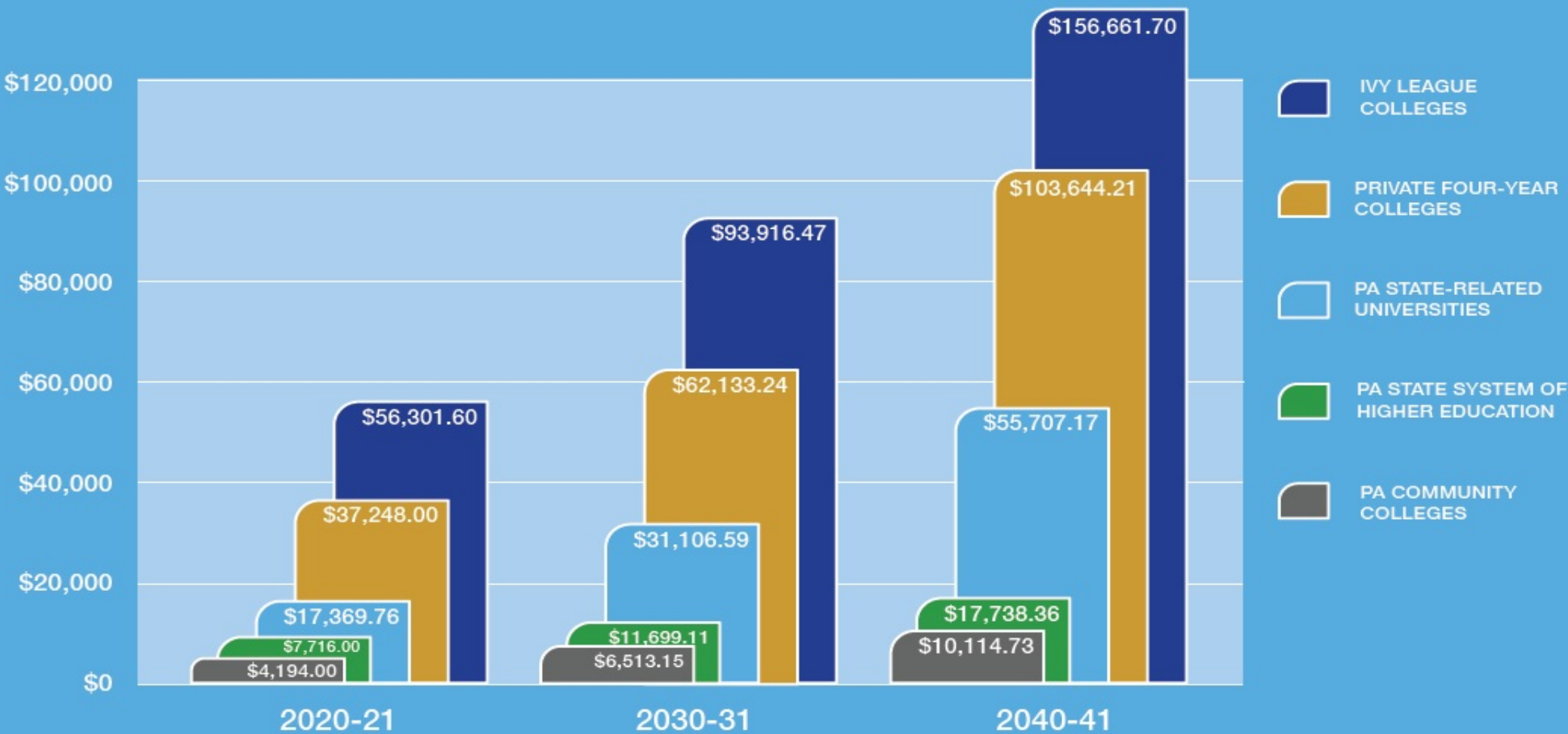


Note: Data are for persons age 25 and over. Earnings are for full-time wage and salary workers.

Source: U.S. Bureau of Labor Statistics, Current Population Survey.



CURRENT AND PROJECTED ANNUAL COLLEGE TUITION COSTS



This chart compares the average annual cost of tuition for 2020-21 with projected costs in 10 and 20 years.

The chart assumes average annual tuition inflation rates: Community Colleges, 4.50%; State System of Higher Education, 4.25%; State-Related Universities Average, 6.00%; Private Four-Year Colleges, 5.25%; and Ivy League Colleges, 5.25%. Although these projections are based on historical and projected rates of tuition inflation at each type of institution, there can be no assurance that they will accurately reflect future increases. Projected tuition rates do not represent actual tuition costs at a specific school.

- Affording college is a major financial concern of American families.<sup>1</sup>
- Money is a major reason for NOT going to college<sup>2</sup>
- Still, 9 in 10 parents expect their children to pursue higher education.<sup>2</sup>
- Kids with a dedicated savings account in their name are more likely to go to college.<sup>3</sup>
- More than 95% of jobs created during the recovery were filled by a person with at least some post-secondary education.<sup>4</sup>

**Sources:** <sup>1</sup>Gallup Poll - Economy and Personal Finance survey - April 2017 | <sup>2</sup>Sallie Mae - *How America Saves for College* 2018 | <sup>3</sup>*The Role of Savings and Wealth in Reducing "Wilt" between Expectations and College Attendance* - William Elliott III & Sondra Beverly | <sup>4</sup>*America's Divided Recovery* - Georgetown University Center on Education and the Workforce



# **PA 529 College and Career Savings Program**

**–PA 529 Guaranteed Savings Plan (GSP)**

**–PA 529 Investment Plan (IP)**

- **Offered by the Commonwealth of PA**
- **Administered by the PA Treasury**



- **Established in 1993 with PA state only benefits. In 1996, federal 529 law provided additional benefits.**
- **As of 02/01/2020, there were 110,470 accounts with more than \$2.17 billion in assets.**
- **Growth tied to college tuition inflation.**

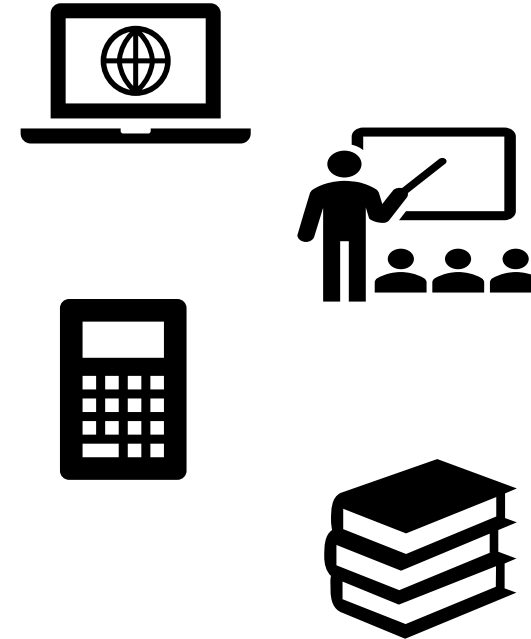


- **Established in 2002.**
- **Fund management with Vanguard.**
- **As of 02/01/2020, there were 137,324 accounts with more than \$3.39 billion in assets.**
- **Returns tied to financial markets.**



# Families Can Use PA 529 Funds for a Variety of Expenses

- Tuition
- Mandatory fees
- Room and board
- Required books/supplies/equipment, including computers
- Special needs expenses
- K-12 Tuition up to \$10,000 per year
- Certain expenses for a registered and certified apprenticeship program
- Repayment of principal and interest of qualified education loans up to a lifetime limit of \$10,000



# Tax Advantages and Benefits of a PA 529 Account

- Pennsylvania state-tax deduction – up to \$15,000 per taxpayer, per child.
- Earnings grow state/federally tax deferred and state and federal tax-free when used for qualified expenses.
- Can be used in PA or out-of-state, including many career schools and more.
- No contribution or income restrictions.
- Only PA 529 savings are not counted on the PA financial aid application.
- Free reward programs allow for accelerated earning and discounts.



## Current Treatment of 529s on FAFSA

- Commonly treated as parental assets.
  - May impact if owned by non-custodial parent, grandparent or another person.
- Treated as student income the year following the year of the distribution.
- Family must report all 529 holdings, not just for beneficiary applying.

### **Federal law defines “qualified higher education expenses” as:**

- Tuition, mandatory fees, room and board\*, required books/supplies, equipment, including computers\*\*, and costs for special needs.

### **Federal law also defines qualified institution as:**

- A post-secondary school which is eligible to participate in federal financial aid programs (i.e. has a FAFSA code).
- This includes public and private colleges and universities, many trade/career/technical schools, and many schools abroad.

For a complete list please visit the U.S. Dept. of Education Web site for Eligible

Schools: <http://www.fafsa.ed.gov>

\*For both on-campus and-off campus. To be a qualified expense, student must be attending at-least half-time.

\*\*If used primarily by the beneficiary who is enrolled at an eligible educational institution. Retroactive to 12/31/2014.

Federal law expanded 529s for K-12 use in 2018 and 2020.

- **New in 2018** – Qualified education expenses expanded to include tuition up to \$10,000 per year, per beneficiary in connection with enrollment and attendance at an elementary or secondary public, private or religious school.
- **New in 2020** – Qualified education expenses expanded to include repayment of principal and interest of **qualified education loans** for a 529 beneficiary or sibling up to a lifetime limit of \$10,000.
- **New in 2020** – Qualified education expenses expanded to include certain expenses for a registered and certified **apprenticeship** program.

### Tax Benefits:

- Account owners can treat qualified K-12 withdrawals as qualified expenses with respect to the **federal and Pennsylvania state** tax benefits.



## 1) Open an account

- Online at [www.PA529.com](http://www.PA529.com)
- Minimum to open: \$10; maximum \$511,758

## 2) Make contributions

- Any amount of at least \$10 at any time
- Set up payroll deduction or automatic bank withdrawals
- Have family and friends help through Ugift

## 3) Maintain account over time

- PA 529 GSP – Grows with college tuition inflation. Adjust tuition level if needed.
- PA 529 IP – Grows with financial markets. Adjust investment portfolios if needed.

## 4) Use the account for education expenses

- Account owner directs who gets paid, how much, and when



**PA Residency: Required for AO/Bene**

**Investment Manager: Treasury**

**GSP Fees: Free to enroll**

- 0.40% annual w/ paper delivery
- \*0.30% annual w/ e-delivery

**Growth: with college tuition inflation**



**PA Residency: Not required**

**Investment Manager: Vanguard**

**IP Fees: Free to enroll**

- 0.210% - 0.310% annual
- \$10/annual (waived w/ e-delivery\*)

**Growth: financial markets**

- Child doesn't go to school in PA?
- Child doesn't go to school at all?
- Child receives scholarship?
- I need some/all of the money?
- One child needs more than the other?

Options include:

- Do nothing (no time requirements or mandatory withdrawals)
- Consider other school options
- Transfer money and/or change beneficiary
- Take non-qualified withdrawal
  - Withdrawal may be subject to taxes and 10 percent federal penalty.

## **A lower-risk plan - Savings help keep pace with rising college tuition.**



- \$10 minimum to open
  - Low fees
- Managed by PA Treasury
- More than 130% funded



Save enough for 1 or 120 GSP credits today, have enough to pay for 1 or 120 GSP credits tomorrow.

The growth on your contributions is based on the college tuition inflation increases as the type of school (tuition level) selected.

Gives families peace of mind knowing their account is not subject to daily financial market changes.



Total Contributions:

\$5,000

Tuition Inflation Value:

\$6,500

Market Value of Account:

\$5,900

Amount available for qualified  
withdrawals:

~~\$6,500~~

**Guarantee is obligation of the GSP Fund, not the Commonwealth**

**GSP Fund dedicated to pay PA 529 GSP obligations and cannot be used for other purposes**

**Safeguards in place to protect the GSP fund**

## Average Tuition Levels

## School Specific Tuition Levels

<b>PA Community College Average</b>	<b>Allegheny County, Beaver County, Bucks County, Butler County, Delaware County, Harrisburg Area, Lehigh-Carbon County, Luzerne County, Montgomery County, Northampton County, Pennsylvania Highlands, Philadelphia, Reading Area, and Westmoreland Area</b>
<b>PA State System Average*</b>  <i>*This average does not include East Stroudsburg, Indiana, Shippensburg, or Millersville Universities</i>	<b>Bloomsburg, California, Cheyney, Clarion, East Stroudsburg, Edinboro, Indiana, Kutztown, Lock Haven, Mansfield, Millersville, Shippensburg, Slippery Rock, and West Chester</b>
<b>PA State-Related Average</b>	<b>Penn State (including the Pennsylvania College of Technology), Pitt, Lincoln, and Temple</b>
	<b>Thaddeus Stevens College of Technology</b>
<b>Private Four-Year Average</b>	<b>No specific schools</b>
<b>Ivy League Average</b>	<b>No specific schools</b>

## Flexibility of Tuition Levels

- **Change Tuition Level at any time retroactive to date of each contribution**
- **Automatically changed if student attends a Pennsylvania publicly funded school**

## Importance of Tuition Levels

- **Helps account owners measure progress**
- **Aids actuarial analysis**

- **Set annually by PA Treasury (effective 9/1 - 8/31) for each Tuition Level**
- **Based on actual tuition at Tuition Level**
- **May be same, more (include “premiums”), or less (include “discounts”)**
- **Credits subject to approximately one-year maturity requirement**
- **12 PA 529 GSP credits generally cover one semester’s tuition – additional credits needed to cover other qualified expenses**



## PA 529 GSP Credit Rate Example:

Contribution made 09/01/17 to 08/31/2018:	\$100.00
2017-18 GSP Credit Rate for SSHE:	÷ <u>\$312.17</u>
GSP Credits afforded:	=0.320
Contribution made 09/01/19 or after:	\$100.00
2019-20 GSP Credit Rate for SSHE:	÷ <u>\$321.50*</u>
GSP Credits afforded :	=0.311

Contribution total = \$200

Total GSP Credits = 0.631

Tuition Inflation Value = \$202.87 = [0.631 x \$321.50]

*\*GSP Credit Rate reflects an increase of 3.51% and does not include East Stroudsburg, Indiana, Mansfield, Millersville, or Shippensburg University.*

# PA 529 Guaranteed Savings Plan

Actual Tuition  
Inflation  
Last 5 years  
(through 2019-2020)

Community College Average	16.87%
State System of Higher Education	13.14%
State-Related Average	8.09%
Penn State University	5.09%
University of Pittsburgh	10.41%
Private Four-year College Average	15.02%
Ivy League Average	22.53%

*Past performance is not a guarantee of future results.*

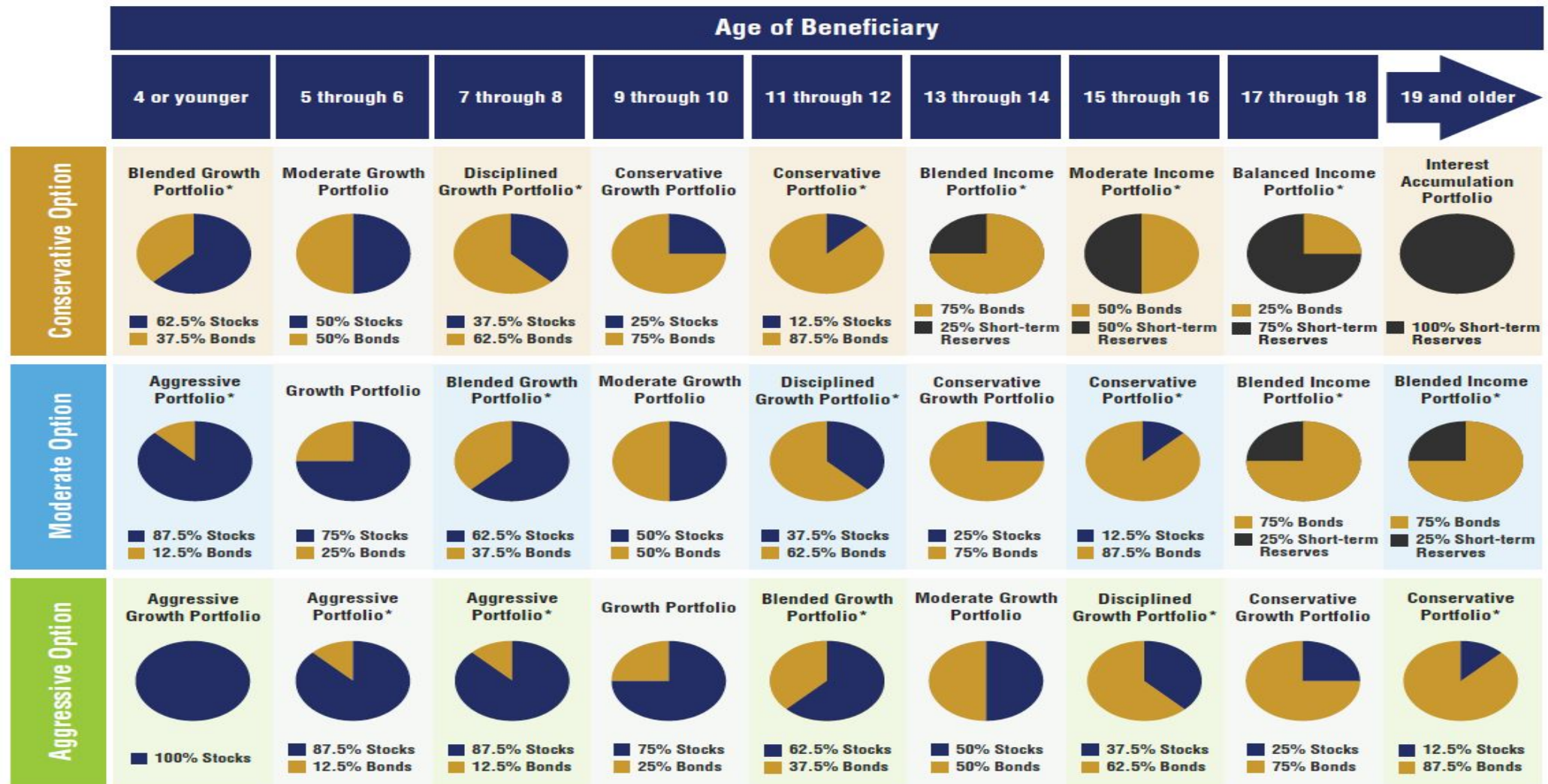


Returns (vs. growth) subject to financial market performance

Wide array of investment options with various asset allocations:

- Three age-based options
- Fourteen fixed-allocation options

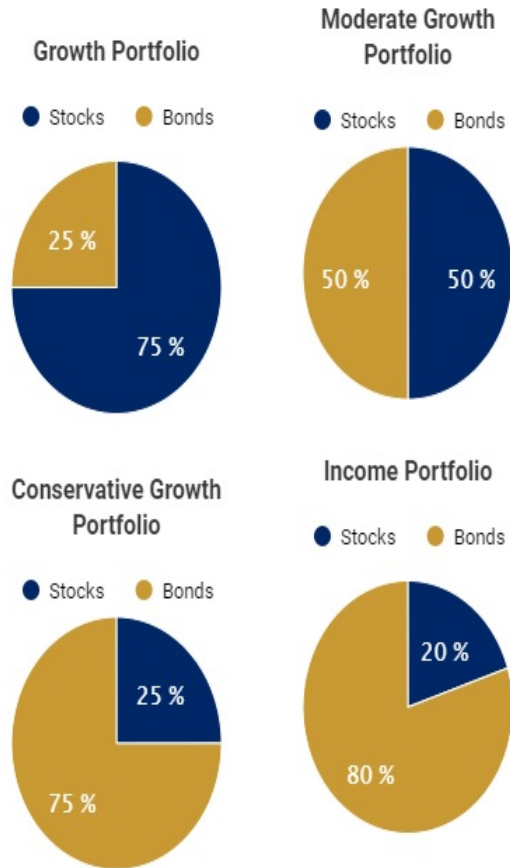
# IP Basics – Age-Based Options



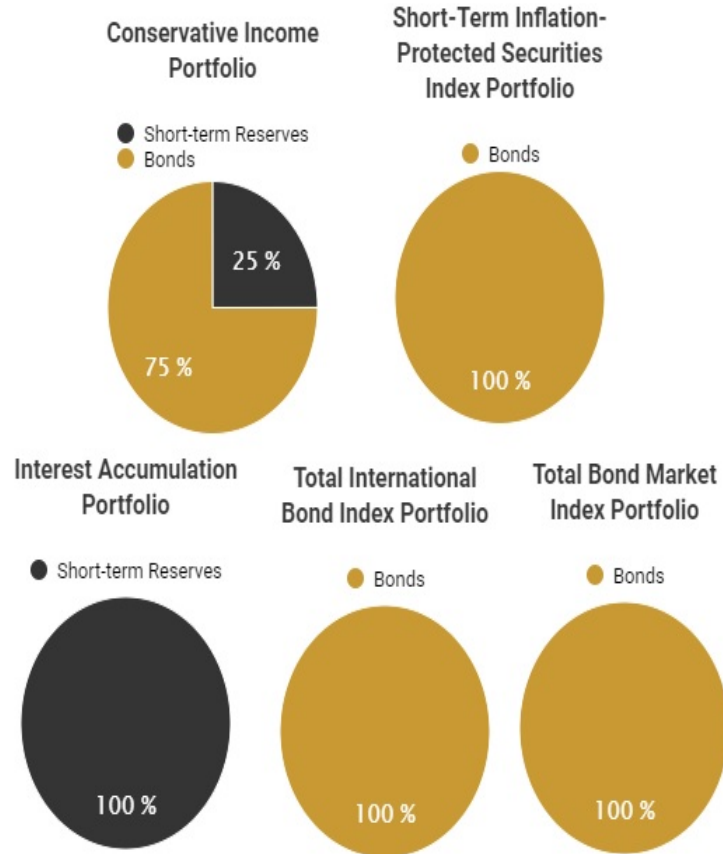
\*Portfolio available only within a PA 529 IP age-based savings track. Cannot be purchased individually as a stand-alone portfolio.

Portfolios with higher concentrations in bonds and short-term investments tend to be less volatile than those with more stocks. Less volatile portfolios generally may not decline in value as much when markets decline, but also may not appreciate in value as much when markets go up. Investments in bonds are subject to interest rate, credit and inflation risk.

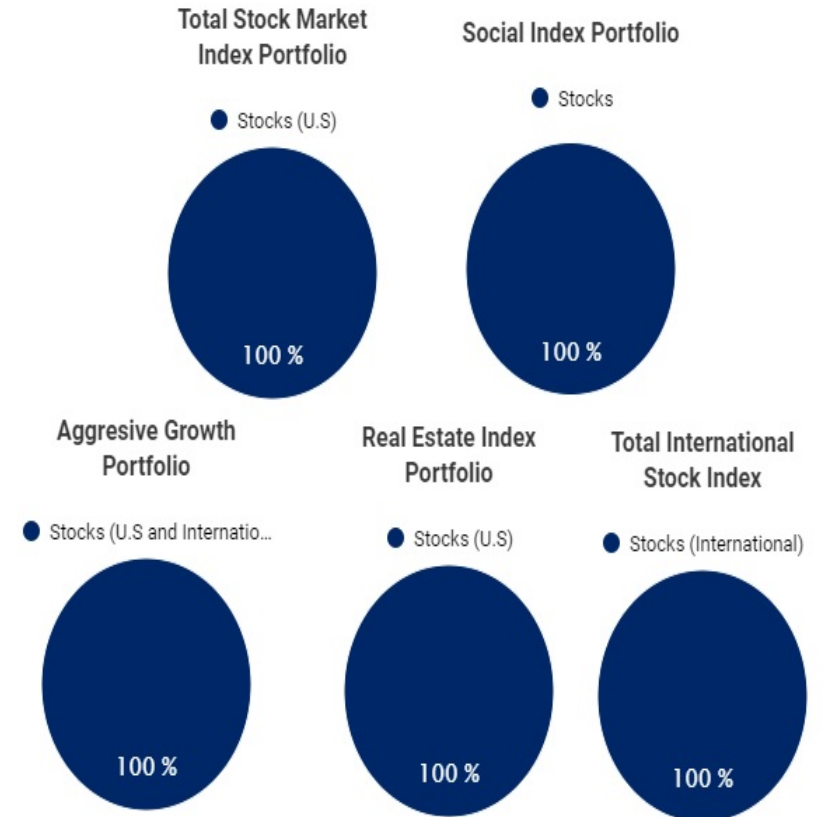
## Blended Stock and Bond Portfolios



## 100% Bond and Short-Term Investment Portfolios



## 100% Stock Portfolios





- Contribute in up to 5 portfolios at one time.
- Contribute to age-based and fixed options at the same time.
- Permits two “asset re-allocations” per year.

## PA 529 Resources:

### To Learn More about the PA529 Savings Plans

PA 529 Webinar [Wednesday, April 14, 2021 12:00 PM - 12:30 PM EST](#)

<https://register.gotowebinar.com/register/>

### Account Owners

Using Your Pennsylvania 529 Guaranteed Savings Plan Account\*

[Watch the presentation...](#)

PA 529 GSP Account Owners: Learn how to lower your fees by as much as 20%

[Watch the presentation...](#)

PA 529 IP Account Owners: Learn how to lower your fees and avoid paying the annual account maintenance fee

[Watch the presentation...](#)

Using Your Pennsylvania 529 Investment Plan Account\*

[Watch the presentation...](#)

\*These webinars explain the process of making a withdrawal from a PA 529 GSP and PA 529 IP account for Qualified Higher Education Expenses. To use a GSP or IP account to pay for qualified K-12 tuition expenses, please call 800-440-4000 for more information.



**Enroll Online at [pa529.com](https://pa529.com)**

**Or**

**Call 800-440-4000**

The Pennsylvania Treasury Department's Savings Programs  
are here to help you build a better future.



# Questions?

This presentation provides only highlights of the PA 529 College and Career Savings Program.

*The Pennsylvania 529 College and Career Savings Program sponsors three plans – the PA 529 Guaranteed Savings Plan (GSP), the PA 529 Investment Plan (IP), and Keystone Scholars. The guarantee of the PA 529 Guaranteed Savings Plan is an obligation of the GSP Fund, not the Commonwealth of Pennsylvania or any state agency. Before investing in either PA 529 plan, please carefully read that plan's disclosure statement (available at [www.PA529.com](http://www.PA529.com) or by calling 1-800-440-4000) to learn more about that plan, including investment objectives, risks, fees, and tax implications.*

*Before you invest, consider whether your or the beneficiary's home state offers any state tax or other state benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in that state's qualified tuition program.*