# GET | Dream Ahead

GUARANTEED EDUCATION TUITION | COLLEGE INVESTMENT PLAN

Programs of

# WA529

WASHINGTON COLLEGE SAVINGS PLANS

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November 2020 Webinar

WASHINGTON STUDENT ACHIEVEMENT COUNCIL

EDUCATION · OPPORTUNITY · RESULTS

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# WEBINAR AGENDA

WA529 Basics - Get to Know the Washington College Savings Plans, the Guaranteed Education Tuition (GET) Program and DreamAhead College Investment Plan.

- Overview and highlights.
- Most frequently asked questions.
- 529 Plans and Financial Aid.
- Tips for saving and other useful information.

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# WHAT IS WA529

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# WHAT ARE 529 PLANS?

- Tax-advantaged college savings plans;
  - Prepaid Tuition Plans
  - Savings Plans
- Earnings grow tax-free and remain tax-free when used for qualified educational expenses;
- Student can attend colleges and universities nationwide and abroad, including registered apprenticeship programs.
- Anyone can contribute to a 529 plan.
- Account owners can transfer between beneficiaries.

College Savings Plans Network (learn about 529 plans nationwide): www.collegesavings.org

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# WHAT ARE QUALIFIED EXPENSES?

- Tuition and fees *(can include k-12)*
- Room and board, on and off campus.
- Books and required supplies.
- Up to $10,000 existing student loan debt.

Qualified Educational Expenses

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# Plans Overview

| Guaranteed Education Tuition (GET) Program<br>529 Prepaid Plan | DreamAhead College Investment Plan<br>529 Savings Plan |
|---|---|
| • Initial residency requirement.<br>• Enrollment period: November – May. | • No residency requirement.<br>• No enrollment period. |
| • Value tied to tuition growth of the highest priced WA public University. | • Value is tied to growth of investment returns. |

- Earnings grow tax free and remain tax free when used for qualified educational expenses.
- Students can attend public, private, community or technical colleges nationwide and registered apprenticeship programs.
- Anyone can contribute to an account.
- Funds can be transferred to another family member beneficiary.

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# Plans Overview

## Guaranteed Education Tuition (GET) Program
529 Prepaid Plan

Unit System – 100 = 1 Year
Annual Unit Price
- 2020 – 2021 - $133 per unit
- Effective through June 2021
- Price in effect when new units are purchased *(whole/partial)*

Choose a contribution plan:
- Lump Sum
- Custom Monthly
- Combination of both

Lifetime maximum per beneficiary – 800 units
Student beneficiary can used up to 200 units per academic year.

## DreamAhead College Investment Plan
529 Savings Plan

Investor chooses investment portfolio
- $25 initial contribution
- $5 minimum ongoing contributions per portfolio

Investors can choose from:
- Age-based portfolio (self adjust)
- Risk-based fixed allocation portfolio
- A combination of portfolios

Maximum contribution is $500,000
(in DreamAhead only or between a DreamAhead and GET with the same beneficiary).

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# Top Four "What Ifs"

## Student gets a scholarship?

Use for other expenses, hold and use another year, transfer to another family member, refund.

## Student decides not to go to college?

Wait to use it, transfer to another family member, refund.

## Family moves out of state?

Can continue to contribute and use as planned.

## Family's financial situation changes?

Can change the plan or refund. Call Contact Center for options.

**There are options!**

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# USE YOUR SAVINGS!

When it's time to pay expenses request your funds.

- Direct Payment to the School
- Reimbursement to the Account Owner
- Reimbursement to the Student

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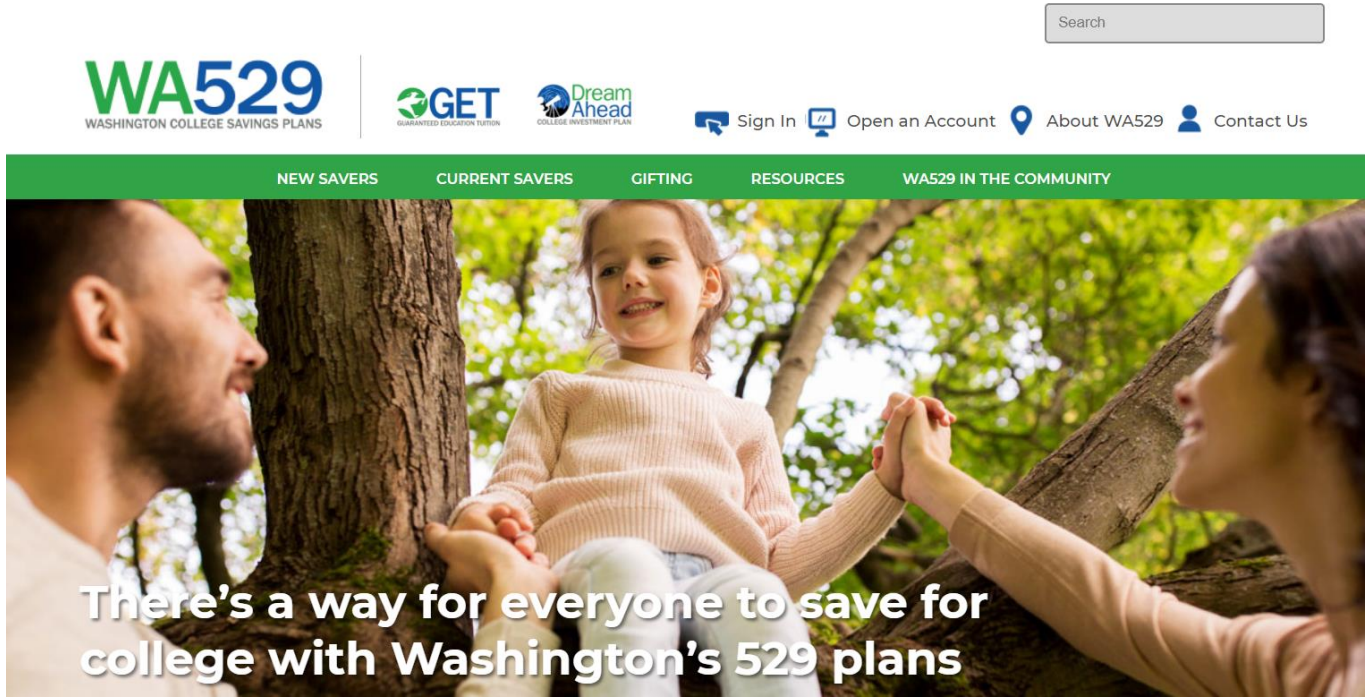
# GETTING STARTED

- Gather Information and resources
- Open accounts – online
- Tell others
- Reach out



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# TIPS FOR SUCCESSFUL SAVING

- Save regularly; consider putting portions of tax refunds or pay raises into college savings
- Remind loved ones about gifting to your children's college savings accounts.
- Consider additional ways to save to supplement what you do elsewhere.
- Begin exploring scholarships and financial aid early to be prepared early.

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# UNDERSTANDING FINANCIAL AID

- GRANTS
  - Income-based, Federal, State, Institutional
- Scholarships
  - Merit and income-based. from public, private, and nonprofit sources.
- Workstudy
  - Income based, Federal, State, Institutional
- Savings
  - 529 Plans
  - Bank/CU accounts
  - Brokerage accounts
  - ESA's
  - Roth IRA and other
- Loans
  - Income-based, Federal and private.

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# 529 Plan and Financial Aid

## Understanding the impact of Assets versus Income

| Owner of the 529 account | Asset or Income | Impact on Financial Aid Eligibility |
|---|---|---|
| Parent of a dependent student | Parental Asset up to 5.64% | Least impact |
| Dependent student | Parental Asset up to 5.64% | Least impact |
| Independent student | Students Asset up to 20% | Moderate impact |
| Grandparent | Student Income up to 50% | High impact |
| Parent of independent student | Parent or Student Income | High impact |

The Expected Family Contribution (EFC) is most affected by income and not assets. A 529 plan owned by a parent or a dependent student is considered a parental asset and therefore, has the least impact on a student's ability to qualify for need-based aid.

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# COVERDELL ESA

Coverdell ESA (Educational Savings Account)

- Accounts grow tax-free
- Use for qualified education expenses K-12 and higher education
- Annual contribute limit of $2000
- No guarantee – value based on portfolio value at time of withdrawal
- Contribute until student is age 18
- Available through banks, mutual funds, brokerage houses

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# UGMA/UTMA

Custodial Account UGMA/UTMA)

- Does not grow tax-free
- Withdrawals can be made for any reason
- No guarantee – value based on portfolio value at time of withdrawal
- Unlimited contributions
- Possible negative impact on financial aid
- Account controlled by child at age of majority
- Available through brokerage houses or mutual funds

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# ROTH IRA

Roth IRA accounts

- Typically allow for self-directed investments
- Greater flexibility of uses beyond higher education
- Stricter contribution limits
- Different tax benefit considerations when withdrawing for higher education expenses
- Potential financial aid issues

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# GERBER LIFE COLLEGE PLAN

## Gerber Life College Plan

- An endowment life insurance policy, marketed as a college savings plan (not a 529 plan)
- Face-value between $10,000 and $150,000, paid out upon maturity or death of policy holder
- Does not grow tax-free
- Withdrawals can be used for any purpose, not just college
- Monthly premiums vary depending on value selected, plus age & health of policy holder

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# WHAT QUESTIONS DO YOU HAVE?

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# FURTHER READING

- Washington's 529 College Savings Plans (WA529): www.wastate529.wa.gov
- 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): IRS Publication 970
- Apprenticeship information: Department of Labor website: Apprenticeship.gov
- Federal School Code Search: https://fafsa.ed.gov/spa/fsc/#/SEARCH?locale=en_US
- Consumer Education and Training Services, centsprogram.org/planning-for-higher-education-for-families/ a FREE planning tool to help families prepare a plan for paying for education expenses.
- Washington Career Bridge: One stop for source for career and education planning. http://www.careerbridge.wa.gov/

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WA529 Knowledge Cafe

## Virtual Learning Center

WA529Outreach@wsac.wa.gov
360.764.9204

Join us for engaging and interactive discussions that include webinars and casual conversations for Q&A.

wastate529.wa.gov/webinars

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# THANK YOU!