

# *The College Savings Plans of Nevada*



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## ***How Do 529 Plans Fit Into the Education Puzzle?***

What began in the mid-1980s as a way for a handful of states to increase the percentage of educated residents to fill high demand jobs, lessen the cost of college on families, and increase enrollment at in-state institutions, is now an industry with assets under management over \$244 billion<sup>1</sup> with over 100 plans all across the country.

Since the late 1990s, states have been partnering with private financial industry firms to offer plans. Done properly, this state/private partnership can be a win-win:

- Private firms are allowed entry into a restricted industry with limited players which allows financial firms to expand their businesses and increase profits.
- States structure plans to benefit its residents (low minimum investments, fee waivers, matching grants), get access to large, well known, investment firms, and participate in revenue sharing to fund local outreach, education and promotion of the plans and early college awareness campaigns.

***The College Savings Plans of Nevada is in a unique position to play a significant role in creating a college going culture statewide.***

Nevada 529 plans offer the best savings vehicles to get families preparing and talking about future college attendance, and we have funding available specifically regulated for the purpose of assisting the residents of Nevada obtain a higher education. 529 plan accounts can be used to attend universities, colleges, trade schools, and vocational schools.

<sup>1</sup> CSPN Data, Second Quarter 2014



## *Section 529 Overview*

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### **What are 529 programs?**

- Tax advantaged ways to save for future college expenses
- Investment offerings are municipal fund securities and regulated as such

### **Two Types of 529 Plans**

1. Prepaid tuition programs (defined benefit)
  - Lock in tuition value by buying tuition at today's price for use in the future
  - Value increases as tuition increases
  - Restricted to the payment of tuition
  - Generally intended to fully pay tuition at in-state colleges.
  - Instate value can be used at out-of-state institutions
2. Savings programs (defined contribution)
  - Accumulate assets in investment account
  - Mutual fund and other investment vehicles
  - Direct-sold and broker-sold models
  - Most offer age-based or target date investment options
  - May be used to cover any qualified education expenses



## *Section 529 Overview (continued)*

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- After tax contributions grow federal tax deferred if used by the designated beneficiary for qualified higher educational expenses at an eligible institution. Earnings are also tax exempt in all states that have a state income tax.
  - Qualified expenses include: Tuition, books, fees, certain room and board, and required supplies (except computers)
  - Eligible institution: any postsecondary school which is eligible to participate in federal financial aid programs which includes thousands of schools across the country and some abroad
- No income or age limitations on participation
- Contribution limits set by each state – Nevada’s is \$370,000 per beneficiary
- If withdrawn for non-educational purposes:
  - Earnings taxed as income and subject to a 10% federally mandated penalty
    - 10% federal penalty waived for withdrawals equal to scholarship amounts, death, disability
- If beneficiary chooses not to attend college - may change beneficiary to another family member of the original beneficiary or request refund
- May change investment direction twice per year
- May rollover funds from one state’s 529 to another without tax consequences



## *Section 529 Overview (continued)*

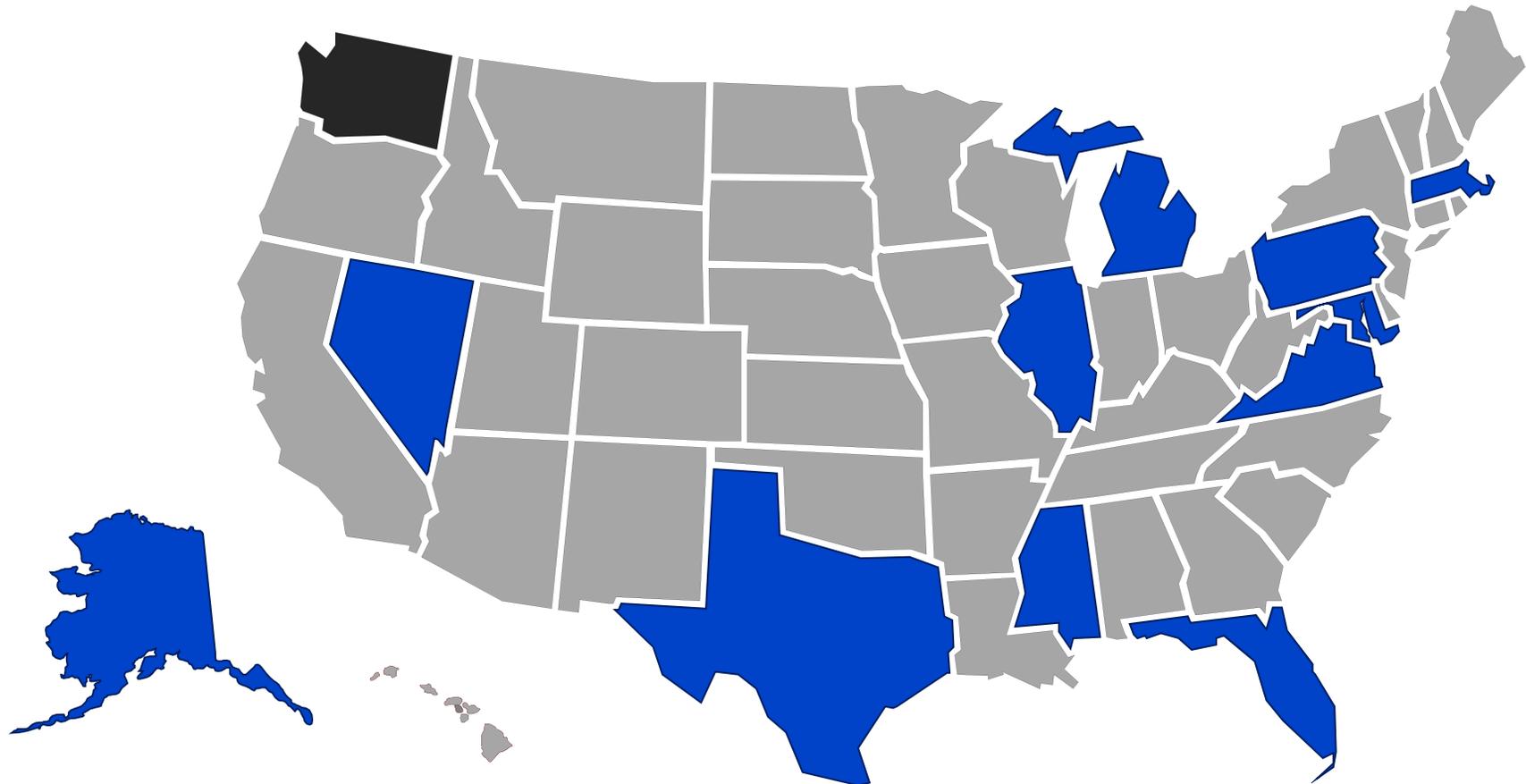
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- 34 states and DC offer state income tax deduction or credit for contributions
- Only one State (Illinois) offers a tax credit to employers matching employee contributions
- Estate and gift tax benefits allow contributions to each beneficiary of:
  - \$14,000 per year, or
  - \$70,000 (or \$140,000 for a married couple) spread ratably over five years
- State involvement ensures:
  - Availability of low-cost options without upfront sales charges and low minimum contributions
  - Targeted efforts to increase lower and middle income participation
  - Safety and consumer protections
    - Consumer-oriented investment options (e.g. age-based)
    - Quality assurance
    - Fiscal oversight
  - Additional incentives to save – grants, scholarships, matching fund
- States partner with private investment companies and allow firms to market on a national basis to achieve scale which helps states bring low cost, high quality savings plans to its residents



# National Overview of 529 College Savings Plans

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-  State offers a 529 savings plan and a prepaid/guaranteed savings plan
-  State offers a 529 college savings plan
-  State offers a 529 prepaid/guaranteed savings plan





## *Nevada's 529 Plans*

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### **SSgA Upromise 529 Plan**

- Start account with as little as \$15
- Payroll Direct Deposit available
- Silver State Matching Grant Program - eligible NV participants with household AGI less than \$75,00 can receive up to \$300 per year and \$1,500 over five years as match funding
- Account maintenance fee waived for Nevada residents
- Plan in which the Nevada College Kick Start program is established

### **Vanguard 529 College Savings Plan**

- \$1,000 account opening minimum (normally \$3,000)

### **USAA 529 College Savings Plan**

- Account fee waived for Nevada residents
- Distinguished Valor Matching Grant Program -- eligible NV, active duty participants with household AGI less than \$75,00 can receive up to \$300 per year and \$1,500 over five years as match funding

### **Putnam 529 for America**

- Nevada resident scholarship program -- \$100 to each eligible participant

### **Nevada Prepaid Tuition Program**



## *The College Savings Plans of Nevada*

The Board and Ascensus College Savings have partnered with leaders in the investment industry – including Vanguard, USAA and State Street Global Advisors – to develop Nevada into one of the top 529 states in the country. Nevada now ranks #3 nationally in terms of total 529 plan assets.

Rank	State	Assets*	Asset Growth from Previous Qtr	Market Share
1	Virginia	\$50.4	5.1%	22.9%
2	New York	\$19.3	5.2%	8.8%
3	Nevada	\$14.2	6.0%	6.5%
4	New Hampshire	\$14.0	4.2%	6.4%
5	Ohio	\$8.7	4.4%	4.0%
6	Maine	\$8.1	4.0%	3.7%
7	Rhode Island	\$7.8	1.9%	3.6%
8	Utah	\$7.2	2.4%	3.3%
9	Illinois	\$6.9	5.4%	3.1%
10	Alaska	\$6.5	4.6%	3.0%

*\*In billions*

*Note: Data from Strategic Insight, as of Second Quarter 2014*



## Overview of College Savings Plans of Nevada

	SSgA Upromise 529	Vanguard 529 Plan	USAA Plan	Putnam 529 for America	Prepaid
<b>Inception Date</b>	Nov. 2002	Dec. 2002	June 2002	Dec. 2010	1998
<b>Managed By</b>	Ascensus	Ascensus	Ascensus	Putnam	State
<b>Investment Manager</b>	SSgA	Vanguard	USAA	Putnam	Vanguard Chicago Equity Glenmede
<b>Total Assets</b>	\$1.2 billion	\$10.9 billion	\$2.2 billion	\$381,149,272	N/A
<b>Total Accounts</b>	151,686	269,344	217,960	18,980	N/A
<b>Nevada Assets</b>	\$38,475,400	\$125,400,000	\$24,220,000	\$7,451,410	\$201,464,474
<b>Nevada Accounts</b>	4,967	3,853	2,606	422	18,397
<b>Nevada accounts with payroll deposit</b>	388	31	22	N/A	N/A
<b>Target Distribution</b>	National	Vanguard Client Base	USAA Client Base	National	Nevada Residents
<b>Distinguishing Features</b>	Matching Grant Ugift Upromise Rewards NV College Kick Start	\$1,000 minimum contribution	Military focus Matching Grant	Advisor sold	Locks-in tuition at today's rate for use in future

\* All figures as of December 31, 2014