

*Saving for College with the PA 529 College Savings Program  
&  
PA ABLE Savings Program ( PA ABLE)*



Presenter:

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



- PA 529 College Savings Program
  - PA 529 Guaranteed Savings Plan (GSP)
  - PA 529 Investment Plan (IP)
- Offered by the Commonwealth of PA
- Administered by the PA Treasury



# Why Save in a 529 Plan??

- **Pennsylvania state-tax deduction.** Limit is \$14,000 per taxpayer, per beneficiary, per year (increasing to \$15,000 as of January 1, 2018).
  - Any Pennsylvania taxpayer may take advantage, even if not owner of 529.
- Earnings grow state & federally **tax deferred**. No 1099 is sent to account owner each year.
- Earnings are state & federally **tax-free** when used for qualified expenses.
- Contributions are considered completed gifts, but owner retains control. Unique to 529 plans, you may contribute 5 times the yearly gift tax allowance (\$70,000 per year).
- No contribution or income restrictions. Benefits never 'phased out' as income increases.
  - Coverdell Education Savings Accounts have \$2,000 yearly limit and income restrictions.

# Qualified Expenses & Qualified Schools



## 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.

## It also defines qualified institution as:

- Post secondary school which is eligible to participate in federal financial aid programs (i.e. has a FAFSA code).
- 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:

[www.fafsa.ed.gov](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.



# How It Works

- Open an account
  - Online at [PA529.com](https://www.pa529.com)
  - Minimum to open: \$15/GSP or \$25/IP; maximum \$511,758
- Make contributions
  - Any amount of at least \$15/GSP or \$25/IP at any time
  - Set up payroll deduction or automatic bank withdrawals (\$12.50/biweekly, \$25/month)
  - Have family and friends help through Ugift
- Maintain account over time
  - PA 529 GSP – Grows with tuition inflation. Adjust tuition level if needed.
  - PA 529 IP – Grows with financial markets. Adjust investment portfolios if needed.
- Use the account when the child enters college
  - Account owner directs who gets paid, how much, and when

# Guaranteed Savings Plan - GSP



- 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 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.

# Actual Tuition Inflation Last 5 years (through 2017-2018)



• Community College Average	24.34%
• State System of Higher Education	16.55%
• State-Related Average	13.69%
• <i>Penn State University</i>	11.91%
• <i>University of Pittsburgh</i>	15.26%
• Private Four-year College Average	18.99%
• Ivy League Average	20.86%

*Past performance is not a guarantee of future results*

# Investment Plan - IP



- Returns (vs. growth) subject to financial market performance
- Wide array of investment options with various asset allocations:
  - ❖ Three age-based options
  - ❖ Twelve fixed-allocation options
- Investments offered by the Vanguard Group





# Investment Plan Flexibility

- 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.



- *This presentation provides only highlights of the PA 529 College Savings Program. The Pennsylvania 529 College Savings Program sponsors two plans – the PA 529 Guaranteed Savings Plan (GSP) and the PA 529 Investment Plan (IP). 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 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.*

Contact Us Today!



**1-800-440-4000**

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Achieving a Better Life Experience

# What is an ABLE account?

- The PA ABLE Savings Program was created by the Pennsylvania General Assembly and is administered by the Pennsylvania Treasury Department.
- *Note: Some federal agencies have not yet provided guidance on how ABLE accounts will impact their services – leaving a number of questions unanswered.*



# Save While Maintaining Government Benefits



- Savings placed in a **PA ABLE account do NOT count against ANY federal need-based benefits** including Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), Medical Assistance (Medicaid), housing assistance programs, student financial aid, and more.
- For Supplemental Security Income (SSI), you can **save up to \$100,000** while maintaining your benefits. Above that, your SSI will be suspended but not terminated and your Medical Assistance benefits will continue.
- Earnings in an ABLE account also grow federal and Pennsylvania income **tax deferred** and withdrawals for “qualified disability expenses” are federal or Pennsylvania income **tax free**.
- Deduct PA ABLE contributions up to \$14,000 (\$15,000 as of January 1, 2018) per year from Pennsylvania taxable income (**only contributions to PA ABLE accounts qualify for this tax deduction**)



# Who is eligible?

To be eligible for an ABLE account, a person must:

- 1. Have a qualifying disability which started before 26<sup>th</sup> birthday;

AND

- 2A. Be eligible for Supplemental Security Income (SSI) or Social Security Disability Insurance (SSDI)

OR

- 2B. Self-certify they meet certain disability standards



# Who is Eligible? – Self Certification

- To self-certify, the qualifying disability must be:
  - ❖ Blindness, OR
  - ❖ A “Medically determinable physical or mental impairment,”
  - ❖ That results in “marked and severe functional limitations,” AND
  - ❖ Is expected to result in death or last for 12 continuous months.
- Anyone that self-certifies eligibility must possess a written diagnosis\* related to the impairment signed by a physician who meets SSA criteria.
- \*While not required to enroll, the written diagnosis must be provided if requested.





# Opening and Maintaining- Eligible Expenses

- **QUALIFIED DISABILITY EXPENSES**

- ❖ Education
  - ❖ Housing (some limitations)
  - ❖ Transportation
  - ❖ Employment training and support
  - ❖ Assistive technology and personal support services
  - ❖ Health
  - ❖ Prevention and wellness
  - ❖ Financial management and administrative services
  - ❖ Legal fees
  - ❖ Expenses for oversight and monitoring
  - ❖ Funeral and burial expenses
- 
- Proposed IRS regulations includes “basic living expenses” and explain all expenses need not be “medically necessary” or for the SOLE benefit of the Eligible Individual

# Opening and Maintaining



- ❖ You may direct your contributions to one or any combination of seven investment options, including an FDIC-insured bank checking account.
- ❖ Contributions can be made online, by check, money order, via payroll deduction, or automatic contributions from a checking or savings account.
  - ❖ **Anyone may make a contribution.**
- ❖ Contributions must be at least \$25 and annual account contribution maximum is \$14,000 from all sources (increasing to \$15,000 as of January 1, 2018).
- ❖ Contributions are considered a completed gift to the Account Owner.
  - ❖ **Importance for gifting – should be directly to ABLE account to avoid impacting benefits.**
- ❖ **PA ABLE Fees**
  - ❖ Free to enroll.
  - ❖ Annual account fee of \$60 or \$45 (e-delivery)
  - ❖ Annual asset-based fees range between 0.34% - 0.38%
  - ❖ Bank checking fee is \$2/month, but waived for e-delivery or average monthly balance of \$250+



*This presentation provides only highlights of the PA ABLE Savings Program (PA ABLE).*

*The Pennsylvania ABLE Savings Program is administered by the Pennsylvania Treasury Department. Before investing, please carefully read the [Disclosure Statement](#) (available at [PAABLE.gov](http://PAABLE.gov) or by calling 855-529-2253) to learn more about the program, including its effect on federal and state benefits, investment objectives, risks, fees, and tax implications.*

Contact Us Today!



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