



PENNSYLVANIA  
.....  
**TREASURY**  
529 COLLEGE SAVINGS PROGRAM

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

Welcome!

# ***Saving for College with the PA 529 College Savings Program***

Presenter:

Kelly Davis, Program Representative  
Pennsylvania 529 College Savings Program

800-440-4000

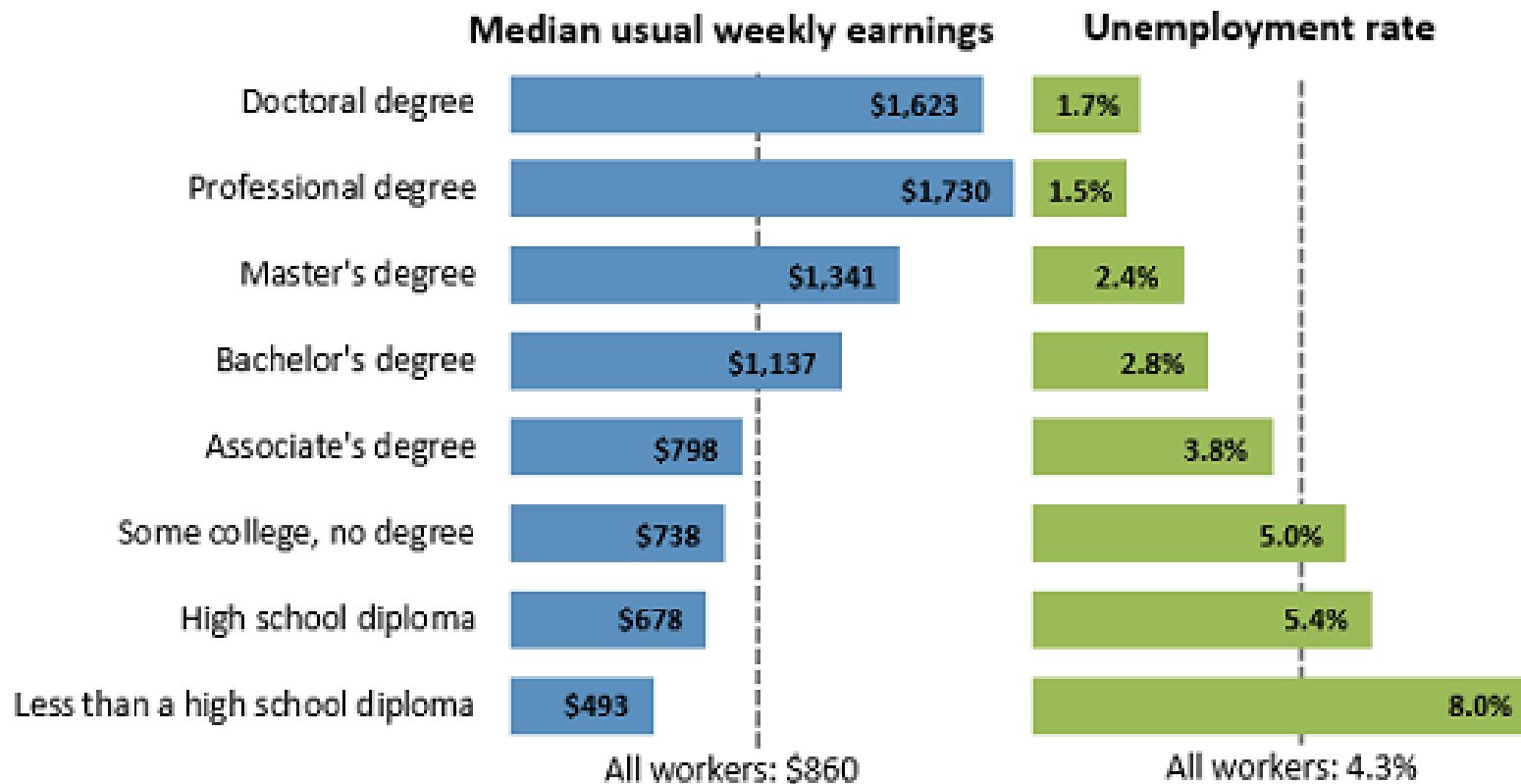
[PA529@patreasury.gov](mailto:PA529@patreasury.gov)

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

# It Pays to Save for College



## Earnings and unemployment rates by educational attainment, 2015



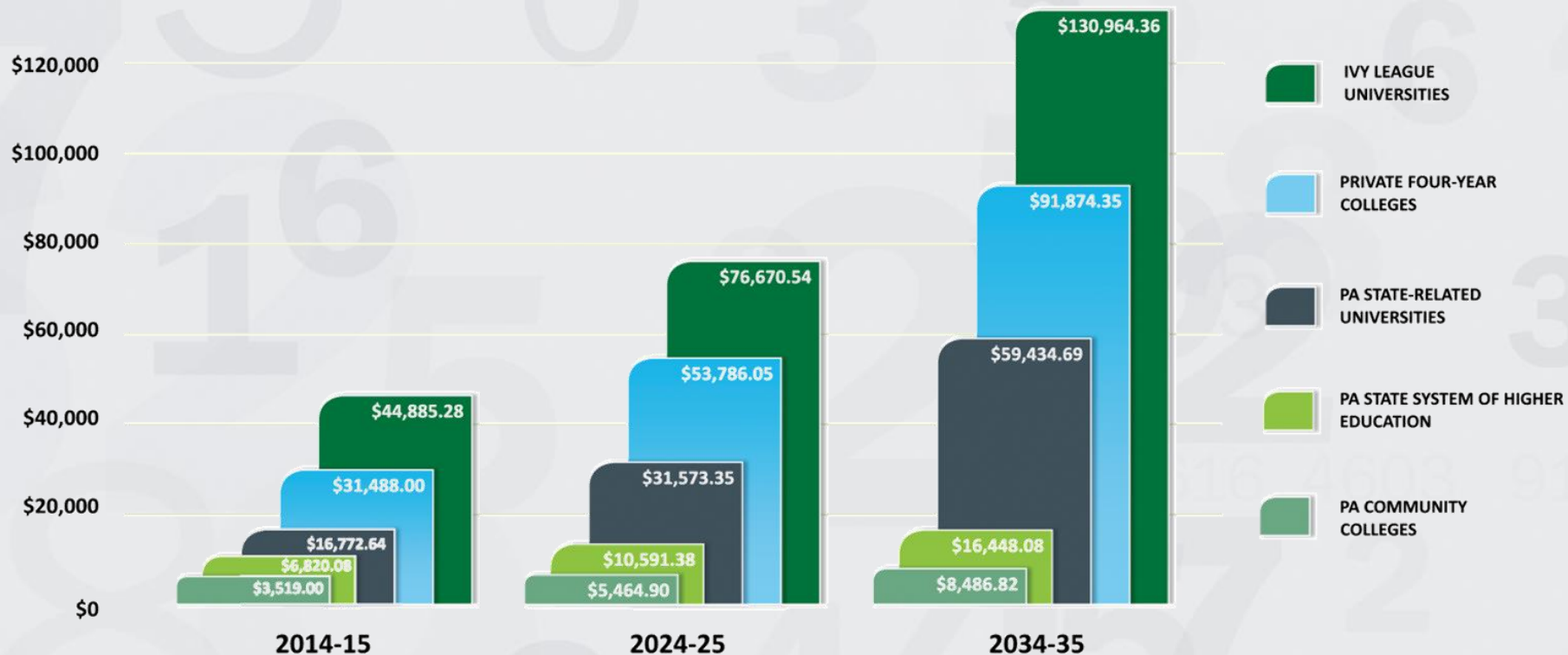
Note: Data are for persons age 25 and over. Earnings are for full-time wage and salary workers.

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

# College Costs

This chart compares the average annual cost of tuition for 2014-15 with projected costs in 10 and 20 years.

## CURRENT AND PROJECTED ANNUAL TUITION COSTS



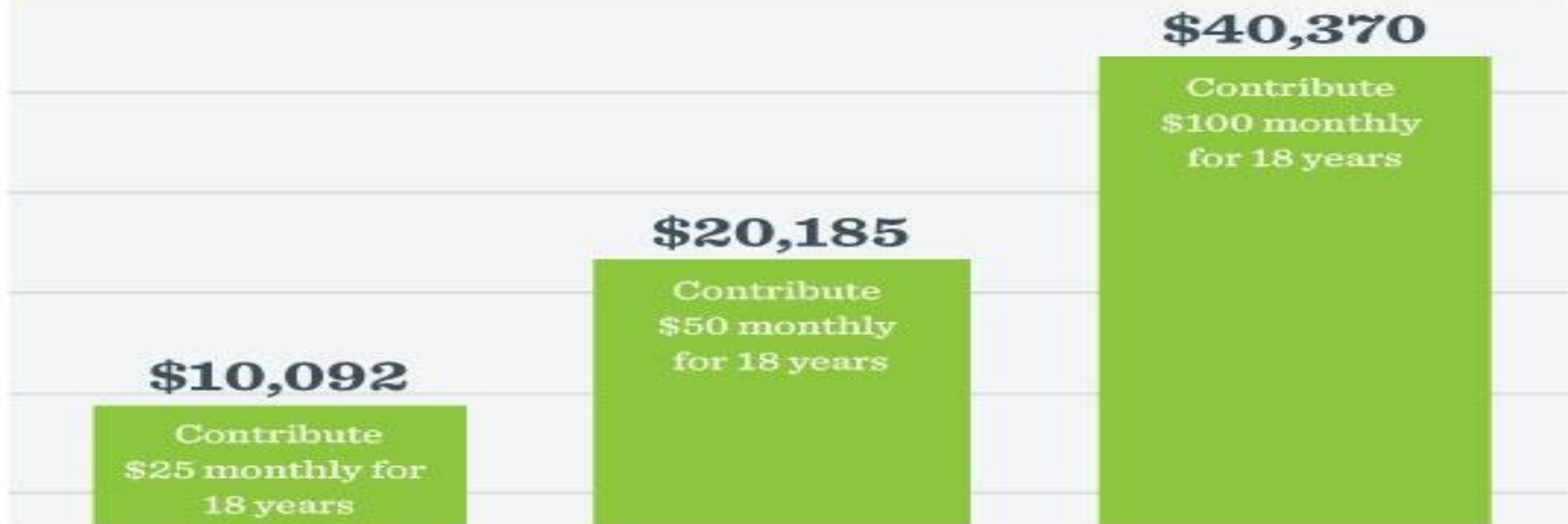
The chart assumes average annual tuition inflation rates: Community Colleges, 4.5%; State System of Higher Education, 4.5%; State-Related Universities Average 6.53%; Private Four-Year Colleges, 5.5%; and Ivy League Universities, 5.5%. Although these projections are based on historical and projected rates 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. Tuition inflation projections provided by Actuarial Resources Corporation.

# Why you Need a Plan for Saving

- Affording college is a major financial concern of American families.
- Money is a major reason for NOT going to college
  - 60% cite lack of savings as reason.<sup>1</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>
- By 2020, nearly 65% of job vacancies will require some form of post-secondary education and/or training.<sup>4</sup>

Sources: <sup>1</sup>American Institute of CPAs (AICPA) – Harris Poll March 2015 | <sup>2</sup>Sallie Mae - How America Saves for College 2015 | <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>Recovery: Job Growth and Education Requirements Through 2020 - Georgetown University Center on Education and the Workforce

## Saving A Little Each Month Adds Up Over Time



Results accumulated at 6.53% for 18 years

# Why You Need a Plan for Saving (con't)

- Save and earn interest vs. borrow and pay interest
  - Student loan debt is second only to mortgage debt in USA and exceeds \$1.2 trillion.<sup>1</sup>
  - Class of 2015 is most indebted in history.<sup>2</sup>
  - Average student loan debt is \$27,000, but over \$32,500 in Pennsylvania (ranks 3<sup>rd</sup> highest).<sup>3</sup>

## Impact of Interest Capitalization

Standard 10- Year Repayment				
Interest Rate	5%	6%	7%	8%
Total Disbursements	\$ 27,000.00	\$ 27,000.00	\$ 27,000.00	\$ 27,000.00
Balance at Repayment	\$ 30,605.00	\$ 31,268.00	\$ 31,930.00	\$ 32,593.00
Balance Ratio (Repay/Disbursements)	113%	116%	118%	121%
Total Payments	\$ 38,954.00	\$ 41,656.00	\$ 44,489.00	\$ 47,453.00
Ratio Total Payments or Disbursements	144%	154%	165%	176%
Standard 20- Year Repayment				
Interest Rate	5%	6%	7%	8%
Total Disbursements	\$ 27,000.00	\$ 27,000.00	\$ 27,000.00	\$ 27,000.00
Balance at Repayment	\$ 30,605.00	\$ 31,286.00	\$ 31,930.00	\$ 32,593.00
Balance Ratio (Repay/Disbursements)	113%	116%	118%	121%
Total Payments	\$ 48,476.00	\$ 53,763.00	\$ 59,413.00	\$ 65,429.00
Ratio Total Payments or Disbursements	180%	199%	220%	242%

Source: Edvisors Network, Inc. (www.edvisors.com)

Source: Sources: <sup>1</sup>Federal Reserve Consumer Credit Report (July 2015) | <sup>2</sup>Mark Kantrowitz – Edvisors.com | <sup>3</sup>Project on Student Debt (2014)

# What is the PA 529 College Savings Program?

# PA 529

## COLLEGE SAVINGS PROGRAM

- 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



### PA 529 GSP

- Established in 1993 with PA state only benefits. In 1996, federal 529 law provides additional federal benefits.
- As of 12/31/2015, there are 107,723 accounts with \$1.681 billion in assets
- Growth tied to tuition inflation rates

### PA 529 IP

- Established in 2002.
- Fund management with Vanguard.
- As of 12/31/2015, there are 97,803 accounts with \$1.880 billion in assets
- Returns tied to market performance

## Why Save in a 529 Plan?

- Pennsylvania state-tax deduction. Limit is \$14,000 per taxpayer, per beneficiary, per year.
  - 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.

- Families can open and use for current college expenses.
  - Potential to effectively reduce qualified expenses by 3.07% (PA's current income tax).
  - No minimum investment period, but may limit growth opportunities.
  - PA 529 GSP requires contributions to meet a "maturity" period to be used with growth.

- 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 distribution.
  - Family must report all 529 holdings, not just for beneficiary applying.

- Is not counted on PA financial aid application (PHEAA).
  - Out of state 529 plans are counted
- Free reward programs allow for accelerated earnings and tuition discounts.
  - SAGE Scholars Tuition Rewards
  - Upromise

**SAGE Scholars**  
**tuitionrewards**®



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:**

<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.

- Open an account
  - Online at [www.PA529.com](http://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

## PA 529 Guaranteed Savings Plan

Residency: Required

Investment Manager: Treasury

Fees: \$50 enrollment (**discounted**)  
0.44% annual w/ paper delivery  
\*0.35% annual w/ e-delivery

Growth: with tuition inflation

## PA 529 Investment Plan

Residency: Not Required

Investment Manager: Vanguard

Fees: No enrollment fee  
0.36% - 0.49% annual  
\*\*\$18.00 maintenance per account

Growth: with financial markets

**Withdraw funds for any reason at any time**  
(subject to taxes and penalties).

\*E-delivery required for statements and transaction/profile confirmations.

\*\*Waived with e-delivery of statements and transaction/profile confirmations.



## Most Common Question is “What if?”

- 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?

### Available Options:

- Do nothing (no time requirements), use at variety of schools, transfer money and/or change beneficiary, take non-qualified withdrawal (may be taxable).

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.

# Program Basics: GSP Growth Example

Total Contributions:

\$5,000

Tuition Inflation Value:

\$6,500

Market Value of Account:

\$5,900

Amount available for qualified  
withdrawals:

\$6,500

# Program Basics: GSP “Guarantee”

- Obligation of the GSP Fund, not the Commonwealth
- Dedicated to pay PA 529 GSP obligations and cannot be used for other purposes
- Safeguards in place to protect the fund

# Program Basics: GSP Tuition Levels

## Choose

### Average Level

OR

### Specific PA Public School

<p><b>PA Community College Average</b></p>	<p><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></p>
<p><b>PA State System Average*</b></p>	<p><b>Bloomsburg, California, Cheyney, Clarion, East Stroudsburg, Edinboro, Indiana, Kutztown, Lock Haven, Mansfield, Shippensburg, Slippery Rock, and West Chester</b> <i>*The average does not include Millersville University</i></p>
<p><b>PA State-Related Average</b></p>	<p><b>Penn State (including the Pennsylvania College of Technology), Pitt, Lincoln, and Temple</b></p>
<p></p>	<p><b>Thaddeus Stevens College of Technology</b></p>
<p><b>Private Four-Year Average</b></p>	<p><b>No specific schools</b></p>
<p><b>Ivy League Average</b></p>	<p><b>No specific schools</b></p>

## 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

## PA 529 GSP Credit Rate Example:

- Credit Rate Example:

Contribution made 09/01/15 or after: \$100.00  
2015-16 GSP Credit Rate for SSHE: ÷ \$294.17  
Number of Credits accumulated: = 0.339

Contribution made 09/01/16 or after: \$100.00  
2016-17 GSP Credit Rate for SSHE: ÷ **\$304.46\***  
Number of Credits accumulated: = 0.328

- 12 PA 529 GSP credits generally cover one semester's tuition – additional credits needed to cover other qualified expenses

**\*Projects a 3.50% tuition increase and does not include Millersville University.**



## Actual Tuition Inflation Last 5 years (through 2015-2016)
















- Community College Average 33.99%
- State System of Higher Education 21.64%
- State-Related Average 17.51%
  - Penn State University 17.24%
  - University of Pittsburgh 22.85%
- Private Four-year College Average 20.07%
- Ivy League Average 21.42%

*Past performance is not a guarantee of future results*

# Pennsylvania 529 Investment Plan

- Returns (vs. growth) subject to financial market performance
- Wide array of investment options with various asset allocations:
  - Three age-based options
  - Ten fixed-allocation options

# Program Basics: IP - Age-Based Options

Age of Beneficiary	Conservative Option	Moderate Option	Aggressive Option
5 or younger	<b>Moderate Growth Portfolio</b>  <ul style="list-style-type: none"> <li>60% Stocks</li> <li>40% Bonds</li> </ul>	<b>Growth Portfolio</b>  <ul style="list-style-type: none"> <li>80% Stocks</li> <li>20% Bonds</li> </ul>	<b>Aggressive Growth Portfolio</b>  <ul style="list-style-type: none"> <li>100% Stocks</li> </ul>
6 through 10	<b>Conservative Growth Portfolio</b>  <ul style="list-style-type: none"> <li>35% Stocks</li> <li>65% Bonds</li> </ul>	<b>Moderate Growth Portfolio</b>  <ul style="list-style-type: none"> <li>60% Stocks</li> <li>40% Bonds</li> </ul>	<b>Growth Portfolio</b>  <ul style="list-style-type: none"> <li>80% Stocks</li> <li>20% Bonds</li> </ul>
11 through 15	<b>Income Portfolio</b>  <ul style="list-style-type: none"> <li>20% Stocks</li> <li>80% Bonds</li> </ul>	<b>Conservative Growth Portfolio</b>  <ul style="list-style-type: none"> <li>35% Stocks</li> <li>65% Bonds</li> </ul>	<b>Moderate Growth Portfolio</b>  <ul style="list-style-type: none"> <li>60% Stocks</li> <li>40% Bonds</li> </ul>
16 through 18	<b>Conservative Income Portfolio</b>  <ul style="list-style-type: none"> <li>75% Bonds</li> <li>25% Short-term reserves</li> </ul>	<b>Income Portfolio</b>  <ul style="list-style-type: none"> <li>20% Stocks</li> <li>80% Bonds</li> </ul>	<b>Conservative Growth Portfolio</b>  <ul style="list-style-type: none"> <li>35% Stocks</li> <li>65% Bonds</li> </ul>
19 or older	<b>Money Market Portfolio</b>  <ul style="list-style-type: none"> <li>100% Short-term reserves</li> </ul>	<b>Conservative Income Portfolio</b>  <ul style="list-style-type: none"> <li>75% Bonds</li> <li>25% Short-term reserves</li> </ul>	<b>Income Portfolio</b>  <ul style="list-style-type: none"> <li>20% Stocks</li> <li>80% Bonds</li> </ul>

# Program Basics: IP - Age-Based Options

Investment Option	Investment Objective	Underlying Investments
<b>Aggressive Growth Portfolio</b> (asset-based fee 0.38%)	Seeks to provide capital appreciation.	70% Vanguard Institutional Total Stock Market Index Fund 30% Vanguard Total International Stock Market Index Fund
<b>Total Stock Market Index Portfolio</b> (asset-based fee 0.36%)	Seeks to track the performance of a benchmark index that measures the investment return of the overall stock market.	100% Vanguard Institutional Total Stock Market Index Fund
<b>Social Index Portfolio</b> (asset-based fee 0.49%)	Seeks to track the performance of a benchmark index that measures the investment return of large- and mid-capitalization stocks that are screened on social and environment criteria.	100% Vanguard FTSE Social Index Fund
<b>Growth Portfolio</b> (asset-based fee 0.38%)	Seeks to provide capital appreciation and low to moderate current income.	55% Vanguard Institutional Total Stock Market Index Fund 25% Vanguard Total International Stock Market Index Fund 20% Vanguard Total Bond Market II Index Fund
<b>Moderate Growth Portfolio</b> (asset-based fee 0.38%)	Seeks to provide capital appreciation and current income.	45% Vanguard Institutional Total Stock Market Index Fund 15% Vanguard Total International Stock Market Index Fund 40% Vanguard Total Bond Market II Index Fund
<b>Conservative Growth Portfolio</b> (asset-based fee 0.39%)	Seeks to provide current income and low to moderate capital appreciation.	25% Vanguard Institutional Total Stock Market Index Fund 10% Vanguard Total International Stock Market Index Fund 65% Vanguard Total Bond Market II Index Fund
<b>Income Portfolio</b> (asset-based fee 0.38%)	Seeks to provide current income.	80% Vanguard Total Bond Market II Index Fund Index Fund 20% Vanguard Institutional Total Stock Market Index Fund
<b>Conservative Income Portfolio</b> (asset-based fee 0.41%)	Seeks to provide current income and some inflation protection as well as income consistent with the preservation of principal.	50% Vanguard Total Bond Market II Index Fund Index Fund 25% Vanguard Inflation-Protected Securities Fund 25% Vanguard Prime Money Market Fund
<b>Inflation-Protected Securities Portfolio</b> (asset-based fee 0.41%)	Seeks to provide inflation protection and income consistent with investment in inflation-indexed securities.	100% Vanguard Inflation-Protected Securities Fund
<b>Money Market Portfolio</b> (asset-based fee 0.43%)	Seeks income consistent with the preservation of principal.	100% Vanguard Prime Money Market Fund

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.

## ■ Enroll online at [www.PA529.com](http://www.PA529.com)

Online enrollment fee for PA 529 GSP waived  
until 12/31/2017

- Use promotion code: [Santarsiero](#)

## ■ Enroll by mail

- Download enrollment form
- Call 1-800-440-4000
- Enrollment fee of \$25.00

Contact Us Today!!

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# Questions?

This presentation provides only highlights of the PA 529 College Savings Program. For important details about the Program, including how the PA 529 GSP guarantee works and its limitations; the tax benefits, requirements, and consequences of nonqualified withdrawals; and investment objectives, risks, and costs, please carefully read each Plan's Disclosure Statement before investing.

They are available by visiting [www.PA529.com](http://www.PA529.com) or by calling 1-800-440-4000.





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