

Independent  
— 529 Plan



**A Nationwide 529 Plan  
by and for  
Independent Colleges  
and Universities**

# Facing the Future



***Today, most families are facing:***

- Tuition rising rapidly
  - 6% in 2003 for private colleges
  - 14% in 2003 for public colleges
- Family savings rate falling
  - (negative 3.7% for 2003)
- Student debt load rising

# **Solution: Independent 529 Plan**



- Save and pay for qualified higher education expenses free from federal (and most state) income tax
- Buy future tuition at less than today's price
- Keep control of your money while saving for college



## What is a “529 Plan?”

- It is a tax-exempt plan to save for college expenses – named for Section 529 of the IRS code.
- The owner pays no federal tax on the gain in value, as long as it is used as intended.

# 529 Plans



- Are established in all 50 states
- Have over \$40 Billion invested
- Come in **three** varieties:
  - **State 529 Savings Plans** (like investment funds)
  - **State 529 Prepaid Plans** (guarantees against tuition inflation at one state's institutions)
  - **Independent 529 plan**, a prepaid type, sponsored by colleges (not states) and used at a host of private colleges and universities around the country

# What's So Special About Independent 529 Plan?



- You can stop tuition inflation.
- You do not have to worry about the stock market.
- You get a price break on tuition.
- Colleges pay all the fees.

# Choice of College: Participating Colleges and Universities Include



- Large research universities
  - Such as Emory, Syracuse, Stanford, Vanderbilt
- Traditional liberal arts colleges
  - Such as Amherst, Oberlin, Oglethorpe, Pomona, Rhodes
- Women's colleges
  - Such as Agnes Scott, Mount Holyoke, Smith, Hollins, Wesleyan
- Religiously-affiliated colleges
  - Such as Baylor, SMU, Notre Dame, Mercer, and Pacific Lutheran
- Historically Black colleges
  - Such as Dillard, Spelman, and Clark Atlanta
- Technically-oriented institutions
  - Such as RIT, Rice, Carnegie-Mellon

# Independent 529 Plan Basics



- An **Independent 529 Plan** certificate is purchased for a specific child but not for a specific college.
- Buyer receives guarantee of a percent of tuition at each institution.
- Buyer receives a discount off of today's tuition price that compounds annually.
- Funds are invested through TIAA-CREF Trust Co., FSB

# Independent 529 Plan Basics



- Investment risk is transferred from purchaser to college.
- Years later, child enrolls in **I-529** college and is credited with percent of the tuition previously purchased.
- Benefits are federally tax-free (and in most states)

# An Illustration: How It Works



## Let's Assume:

**College A's** current tuition and mandatory fees = \$20,000 per year.

- Future tuition inflation is 6% per year.
- **College A** chooses 1.0% as certificate discount.
- Beneficiary Ben is 8 years old when tuition is purchased. He enrolls in **College A** ten years later, at age 18.

# Calculations for Ben



Today's cost to Ben's family for 1 year: **\$18,088**

$$\$20,000 \times (.99)^{10}$$

College A's current tuition X the discount (1.00 - 0.01 = 0.99) raised to the tenth year.

Ben's eventual scheduled tuition: **\$35,817**

$$\$20,000 \times (1.06)^{10}$$

College A's current tuition X tuition inflation (1.00 + .06 = 1.06) raised to the tenth year.

Tax-free increase in value for family: **\$17,729**

## What if the Beneficiary Does Not Attend a Participating College?



- You can change the beneficiary to another family member.
- You can take a refund.
- You can rollover to another 529 plan.

# Other Aspects of: Independent 529 Plan



- Contributions of families can be as little as \$25/month or a maximum of \$137,500
- Refund policy:
  - Purchase price, adjusted by actual returns, but capped at 2% per year with a floor of 2% per year
- 3 year minimum holding period
- Part of 2001 omnibus tax act, which has a sunset clause in December, 2010
- Rollovers are permitted between 529 plans
- All fees paid by participating colleges



# Federal Financial Aid

## 529 Prepaid Funds

Treated as a student resource; it reduces eligibility for federal aid, dollar for dollar.

## 529 Savings Funds

Treated as an asset of the parent; only a small fraction used to determine need.

Note: Bill introduced in Congress to end unfair treatment. It will allow treatment of all 529 plan assets as parental assets.

# Named a Best New Product by *BusinessWeek*



## » PAY NOW, ENROLL LATER Independent 529 Plan

Lock in today's tuition at 230 private colleges with the Independent 529 Plan. Put in \$10,000 and in 2014, you'll have 39% of a year paid for at Princeton, 38% at Notre Dame. Get a refund if your child goes to State U. (888 718-7878, [www.independent529plan.org](http://www.independent529plan.org)).

# Why Would Colleges Do This?



- To have access to a pool of applicants who have saved for college.
- To encourage a national culture of saving for college.
- To reduce future tuition costs for certificate holders without using institutional resources.
- To support alumni who want their children to have access to the same type of quality education that they did.

# Summary: Benefits to Purchaser of Independent 529 Plan



- Helps make private higher education affordable
- Allows you to buy tuition at less than today's price
- No investment risk
- No threat of runaway tuition inflation
- No fees to purchasers
- Federal tax advantages

**For More Information or to Enroll**



**[www.independent529plan.org](http://www.independent529plan.org)**

**Call toll-free 888-718-7878**