

Welcome FPA Philadelphia Members!

PENNYSYLVANIA
TREASURY
529 COLLEGE SAVINGS PROGRAM

An Advisor's Guide to the PA 529 College Savings Program

September 24, 2013

Approved for credit program by the Certified Financial Planner Board of Standards, Inc.

Presenter:
David Dominick, Program Specialist
Pennsylvania State Treasury
717.772.5000
advisors@PA529.com

Believe in them. Invest in them. Rob McCord, State Treasurer | www.PA529.com

Agenda

PENNYSYLVANIA
TREASURY
529 COLLEGE SAVINGS PROGRAM

- What is a Section 529 College Savings Program?
- What are the benefits to clients saving with the PA 529 College Savings Program?
- The PA 529 Program Basics.
- Benefits for advisors offering the PA 529 College Savings Program.
- Next steps.

Believe in them. Invest in them. Rob McCord, State Treasurer | www.PA529.com

§ 529 History



- Federal law enacted
 - 1996 – Small Business Job Protection Act
 - Adds § 529 to IRC
 - Recognizes state created programs that allow a person to save for college and provides federal income tax benefits.
 - » The 2 types of programs recognized:
 - Prepaid programs
 - Savings programs
 - Amendments in 1998, 2001, 2006 provided additional benefits

Believe in them. Invest in them. Rob Riccard, State Treasurer | www.PA529.com

§ 529 National Picture



- 49 states, plus DC offer at least one plan (Wyoming offers Colorado)
- Additionally, one college consortium (private 529) exists, but only for its group of schools
- A total of 115 programs exist
 - 61 direct-sold & 34 broker-sold
 - 14 pre-paid contract and 6 pre-paid unit/guaranteed savings
- At year-end 2012, approximately 11.1 million open 529 plan accounts held more than \$190.7 billion

Sources: Savingforcollege.com & College Savings Plans Network

Believe in them. Invest in them. Rob Riccard, State Treasurer | www.PA529.com

Benefits to Clients



In-State Benefits

PA State Inheritance Tax Exemption

- Only PA 529 accounts are exempt.
- Pennsylvania collected \$845.3 million in inheritance taxes last fiscal year (2012-13). Only accounts in Pennsylvania 529 plans are exempt from state inheritance taxes, while the entire value of accounts Pennsylvania taxpayers hold in other states' 529 plans is subject to the state inheritance tax.

Believe in them. Invest in them. Rob Riccard, State Treasurer | www.PA529.com

Benefits to Clients

In-State Benefits

PA State Financial Aid Exclusion

- PHEAA does not include when determining financial aid eligibility
- Families that save in a PA 529 plan receive about \$300 more in state student financial aid than similarly situated families that invest in non-Pennsylvania 529 plans. PA 529 plans are not considered when making state financial aid awards.

Believe in them. Invest in them. Rob Ricard, State Treasurer | www.PA529.com

Benefits to Clients

In-State Benefits

Protection from creditors

- In Pennsylvania state proceedings, assets held in a PA 529 Account are protected from creditors of the Account Owner or Beneficiary. Assets in an out-of-state 529 plan have no such protection.

Believe in them. Invest in them. Rob Ricard, State Treasurer | www.PA529.com

Benefits to Clients

In-State Benefits

SAGE Scholars Tuition Rewards

- PA 529 Accounts have earned about \$481 million in SAGE scholarship rewards.
- More than 290 private colleges & universities participate.
- Typically, participating schools allow you to earn up to one year of tuition (spread over 4 years).
- Currently, the maximum scholarship is over \$40,000!


SAGE Scholars
tuitionrewards

Believe in them. Invest in them. Rob Ricard, State Treasurer | www.PA529.com

Benefits to Clients

Upromise Rewards

- Since 2006, families have been able to save more for college with the PA 529 College Savings Program's partnership with Upromise.
- As of 06/30/2013, more than \$8.889 million in Upromise loyalty rewards has been swept into 121,000+ PA 529 College Savings Program accounts.
- Upromise members can now earn rewards at more than 800 online stores, more than 8,000 restaurants, and on thousands of grocery & drugstore items.
- Visit www.Upromise.com to learn more!



Believe in them. Invest in them. Rob Ricard, State Treasurer | www.PA529.com

College Facts and Figures

- Are you hearing these concerns?
 - Affording college is the #1 financial concern of American families
 - College costs rising faster than inflation and family income
 - Takes 25%+ of household income (compared to 10% in 1976)

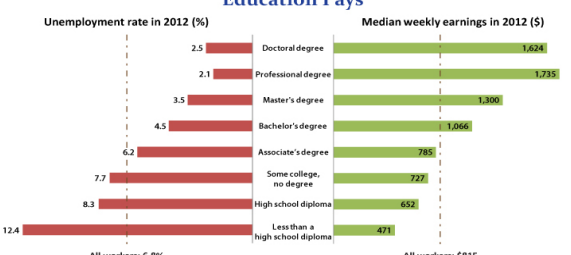
Sources: Public Agenda 2011 Survey; Center for College Affordability and Productivity at Ohio University

Believe in them. Invest in them. Rob Ricard, State Treasurer | www.PA529.com

College Facts and Figures

Importance of Higher Education

Education Pays




Education Level	Unemployment rate in 2012 (%)	Median weekly earnings in 2012 (\$)
Doctoral degree	2.5	1,624
Professional degree	2.1	1,735
Master's degree	3.5	1,300
Bachelor's degree	4.5	1,066
Associate's degree	6.2	785
Some college, no degree	7.7	727
High school diploma	8.3	652
Less than a high school diploma	12.4	471
All workers	6.8%	\$815

Source: US Bureau of Labor Statistics (May 2013) - Note: Data are for persons age 25 and over. Earnings are for full-time wage and salary workers.

Believe in them. Invest in them. Rob Ricard, State Treasurer | www.PA529.com

What is the PA 529 College Savings Program?

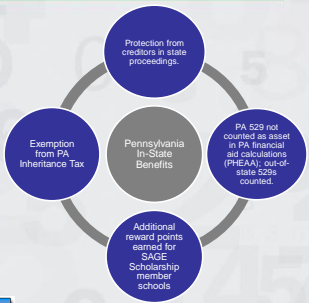


PENNSYLVANIA TREASURY
529 COLLEGE SAVINGS PROGRAM

- 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

Believe in them. Invest in them. Rob Ricard, State Treasurer | www.PA529.com

Exclusive Home State Benefits



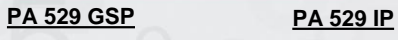
PENNSYLVANIA TREASURY
529 COLLEGE SAVINGS PROGRAM

- Protection from creditors in state proceedings.
- PA 529 not counted as asset in PA financial aid calculations (FISFA) of out-of-state 529s counted.
- Exemption from PA Inheritance Tax
- Pennsylvania In-State Benefits
- Additional reward points earned for SAGE Scholarship member schools

upromise
Upromise is additional reward program available to PA 529 plan owners and others.

Believe in them. Invest in them. Rob Ricard, State Treasurer | www.PA529.com

Pennsylvania's Two Plans



<p>PA 529 GSP</p> <ul style="list-style-type: none"> • Established in 1993 & recognized as 529 plan in 1996 (when federal 529 legislative was introduced & passed) • Savings tied to tuition inflation rates • As of 06/30/2013, there are 102,089 accounts with \$1.507 billion in assets 	<p>PA 529 IP</p> <ul style="list-style-type: none"> • Established in 2002 with Delaware Investments offering direct sold & advisor sold plans • In 2006, fund management was transferred to Vanguard with direct option only. • Savings rates tied to market performance • As of 06/30/2013, there are 75,402 accounts with \$1.340 billion in assets
--	--

PENNSYLVANIA TREASURY
529 COLLEGE SAVINGS PROGRAM

Believe in them. Invest in them. Rob Ricard, State Treasurer | www.PA529.com

Additional Benefits

Tax Benefits

- 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 gift. Unique to 529 plans, you may contribute 5 times the yearly gift tax allowance (\$70,000 per year).
- No income restrictions. Benefits never 'phased out' as income increases.
 - Coverdell Education Savings Accounts have \$2,000.00 yearly limit

Believe in them. Invest in them. Rob McCord, State Treasurer | www.PA529.com

College Costs

Current and Projected Annual Tuition Costs

Year	PA Community Colleges	PA State System of Higher Education	PA State-Related Universities	PA Private Four-Year Colleges	Ivy League Colleges
2003-13	\$5,000	\$10,000	\$20,000	\$40,000	\$150,000
2007-13	\$5,000	\$10,000	\$25,000	\$50,000	\$180,000
2011-13	\$5,000	\$10,000	\$30,000	\$70,000	\$220,000
2013-13	\$5,000	\$10,000	\$35,000	\$85,000	\$250,000

The chart assumes annual tuition inflation rates: Community Colleges, 3.0%; State System of Higher Education, 4.0%; State-Related Universities, 4.5%; Private Four-Year Colleges, 5.0%; and Ivy League Colleges, 5.0%. Although these projections are based on historical and projected rates of tuition subject to each type of institution, there can be no assurance that these will accurately reflect future increases. Projected tuition rates do not represent actual tuition costs at a specific school. Tuition inflation projections and methodology provided by Activeresources.com.

Believe in them. Invest in them. Rob McCord, State Treasurer | www.PA529.com

Benefits to Clients

- Help families accrue less educational debt.
 - > In 2011, 70% of graduates in Pennsylvania carried debt averaging \$29,900, ranking PA #2 for highest avg. debt.*
- Provide clients with important financial information.
 - > 89% of parents assume their children will attend some form of higher education, yet only 60% are saving.**
 - > Only 25% of parents saving are using 529 plans, and the most commonly cited reason for not using one is lack of information.**

*Source: Project on Student Debt, 2012
 **Source: Sallie Mae - How America Saves For College, 2010

Believe in them. Invest in them. Rob McCord, State Treasurer | www.PA529.com

Benefits to Clients - Saving vs borrowing

PA TREASURY
529 COLLEGE SAVINGS PROGRAM

Saving A Little Each Month Adds Up Over Time

Contribution Level	Final Amount after 18 years
Contribute \$25 monthly for 18 years	\$10,092
Contribute \$50 monthly for 18 years	\$20,185
Contribute \$100 monthly for 18 years	\$40,370

Results accumulated at 6.53% for 18 years

Believe in them. Invest in them. Rob McCord, State Treasurer | www.PA529.com

Program Basics: PA's two plans

PA TREASURY
529 COLLEGE SAVINGS PROGRAM

529 Plans may be used for:

- Tuition
- Mandatory fees
- Room & board*
- Required books
- Required supplies
- Required equipment
- Costs associated with special needs beneficiary

*Student must be attending as at least a 'half-time' student

Believe in them. Invest in them. Rob McCord, State Treasurer | www.PA529.com

Program Basics: PA's two plans

PA TREASURY
529 COLLEGE SAVINGS PROGRAM

Eligible post-secondary schools include:

- Schools in PA & out of PA
- Public & private
- Career, technical, & trade schools
- Graduate & professional programs
- Certificate programs
- Study abroad programs

Schools must be eligible to qualify for federal financial aid and will have FAFSA school code. Look-up available at www.FAFSA.ed.gov

Believe in them. Invest in them. Rob McCord, State Treasurer | www.PA529.com

Program Basics: PA's two plans

PA 529 Guaranteed Savings Plan	PA 529 Investment Plan
Residency: Required	Residency: Not Required
Investment Manager: Treasury	Investment Manager: Vanguard
Fees: \$50 enrollment (<i>discounted</i>) 0.49% annual until 10/01/13 0.44% annual after 10/01/13 * 0.35% annual after 10/01/13	Fees: No enrollment fee 0.48% to 0.62% annual
Growth: with tuition inflation	Growth: with financial markets

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

*Requires e-delivery for statements and transaction/profile confirmations.

Believe in them. Invest in them. Rob Riccard, State Treasurer | www.PA529.com

Program Basics: PA 529 - How It Works

- Open an account
 - Minimum deposit only \$15 for GSP & \$25 for IP
 - Online at PA529.com or with application
- Make contributions
 - Online or check (GSP \$15/transaction & IP \$25/transaction)
 - Set up payroll deduction (GSP \$15/pay & IP \$15 per pay)
 - Set up automatic bank deductions (GSP \$15/transaction & IP \$25/transaction)
 - Have family and friends help through Ugift
- Watch account grow
 - PA 529 Guaranteed Savings Plan - with tuition inflation
 - PA 529 Investment Plan - with financial markets
- Use the account when the child enters college
 - Account owner directs who gets paid, how much, and when

Believe in them. Invest in them. Rob Riccard, State Treasurer | www.PA529.com

Program Basics: PA 529 GSP

Pennsylvania 529 Guaranteed Savings Plan

- Lower risk way to save.
- Money invested by Treasury Department.
- Savings returns based on tuition inflation rates.
Save enough for a semester today, have enough for a semester tomorrow.
- Client indexes account to school or type of school to save towards.

Believe in them. Invest in them. Rob Riccard, State Treasurer | www.PA529.com

Program Basics: GSP - Growth

THE PENNSYLVANIA
TREASURY
OF COLLEGE SAVINGS PROGRAM

The guarantee of the GSP is that when used for qualified expenses, the growth on contributions is based on tuition increases at the type of school you designate

Save now for one semester, have enough for one semester later

Peace of mind – not subject to ups and downs of financial markets

Believe in them. Invest in them. Rob Ricard, State Treasurer | www.PA529.com

Program Basics: GSP - "Guarantee"

THE PENNSYLVANIA
TREASURY
OF COLLEGE SAVINGS PROGRAM

- 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
 - Annual reports to Governor & General Assembly
 - Quarterly meetings of PA 529 Advisory Board


Believe in them. Invest in them. Rob Ricard, State Treasurer | www.PA529.com

Program Basics: GSP – Account Example

THE PENNSYLVANIA
TREASURY
OF COLLEGE SAVINGS PROGRAM

Total Contributions:	\$5,000
Tuition Inflation Value:	\$6,500
Market Value of Account:	\$5,900
Amount available for qualified withdrawals:	\$6,500


Believe in them. Invest in them. Rob Ricard, State Treasurer | www.PA529.com

Program Basics: GSP-Changing Levels 

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
- A change in tuition level is likely to result in a new number of GSP credits and tuition inflation value.
- Importance of Tuition Levels
 - Helps account owners measure progress
 - Aids actuarial analysis


Believe in them. Invest in them. Rob Ricard, State Treasurer | www.PA529.com

Program Basics: PA 529 GSP 

Pennsylvania 529 Guaranteed Savings Plan

- Use at most schools, both in Pennsylvania and out-of-state.
- Can be used for more than just tuition.
- Flexibility with regard to tuition level.
- Helps families know if they are saving enough.

Believe in them. Invest in them. Rob Ricard, State Treasurer | www.PA529.com

Program Basics: GSP - Past Growth 


Actual Tuition Inflation Last 5 years

• Community College Average	25.17%
• State System of Higher Education	19.23%
• State-Related Average	16.70%
• Penn State University	18.27%
• University of Pittsburgh	21.70%
• Private Four-year College Average	20.27%
• Ivy League Average	17.60%

Past performance is not a guarantee of future results


Believe in them. Invest in them. Rob Ricard, State Treasurer | www.PA529.com

Program Basics: PA 529 IP




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
 - 10 fixed-allocation options



Believe in them. Invest in them. Rob Ricard, State Treasurer | www.PA529.com


Program Basics: IP - Age-Based Options



Age of Beneficiary	Conservative Option	Moderate Option	Aggressive Option
5 or younger	Moderate Growth Portfolio 60% Stocks 40% Bonds	Growth Portfolio 80% Stocks 20% Bonds	Aggressive Growth Portfolio 100% Stocks
6 through 10	Conservative Growth Portfolio 35% Stocks 65% Bonds	Moderate Growth Portfolio 60% Stocks 40% Bonds	Growth Portfolio 80% Stocks 20% Bonds
11 through 15	Income Portfolio 20% Stocks 80% Bonds	Conservative Growth Portfolio 35% Stocks 65% Bonds	Moderate Growth Portfolio 60% Stocks 40% Bonds
16 through 18	Conservative Income Portfolio 75% Bonds 25% Short-term Reserves	Income Portfolio 20% Stocks 80% Bonds	Conservative Growth Portfolio 35% Stocks 65% Bonds
19 or older	Money Market Portfolio 100% Short-term Reserves	Conservative Income Portfolio 75% Bonds 25% Short-term Reserves	Income Portfolio 20% Stocks 80% Bonds

Believe in them. Invest in them. Rob Ricard, State Treasurer | www.PA529.com

Program Basics: IP - Fixed Options



Investment Option	Investment Objective	Underlying Investments
Aggressive Growth Portfolio (asset-based fee 0.49%) Total Stock Market Index Portfolio (asset-based fee 0.48%)	Seeks to provide capital appreciation. Seeks to track the performance of a benchmark index that measures the investment return of the overall stock market.	70% Vanguard Institutional Total Stock Market Index Fund 30% Vanguard Total International Stock Market Index Fund 100% Vanguard Institutional Total Stock Market Index Fund
Social Index Portfolio (asset-based fee 0.62%)	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
Growth Portfolio (asset-based fee 0.50%)	Seeks to provide capital appreciation and low to moderate current income.	50% Vanguard Institutional Total Stock Market Index Fund 25% Vanguard Total International Stock Market Index Fund 25% Vanguard Total Bond Market II Index Fund
Moderate Growth Portfolio (asset-based fee 0.50%)	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
Conservative Growth Portfolio (asset-based fee 0.49%)	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
Income Portfolio (asset-based fee 0.50%)	Seeks to provide current income.	80% Vanguard Total Bond Market II Index Fund Index Fund 20% Vanguard Institutional Total Stock Market Index Fund
Conservative Income Portfolio (asset-based fee 0.53%)	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
Inflation-Protected Securities Portfolio (asset-based fee 0.53%)	Seeks to provide inflation protection and income consistent with investment in inflation-indexed securities.	100% Vanguard Inflation-Protected Securities Fund
Money Market Portfolio (asset-based fee 0.50%)	Seeks income consistent with the preservation of principal.	100% Vanguard Prime Money Market Fund

Believe in them. Invest in them. Rob Ricard, State Treasurer | www.PA529.com

Name	1 year	3 year	5 year	YTD as of 09/30/2013	Since Inception**	Inception Date
Aggressive Growth Portfolio	17.72%	15.87%	6.00%	13.04%	3.73%	11/17/2006
Total Stock Market Index Portfolio	19.74%	18.47%	7.34%	17.18%	4.69%	11/17/2006
Social Index Portfolio	25.55%	19.03%	6.95%	20.22%	2.71%	11/17/2006
Growth Portfolio	13.28%	13.30%	6.10%	9.47%	4.20%	11/17/2006
Moderate Growth Portfolio	9.25%	10.81%	6.14%	6.57%	4.61%	11/17/2006
Conservative Growth Portfolio	3.91%	7.75%	5.62%	2.19%	4.58%	11/17/2006
Income Portfolio	1.11%	5.25%	5.32%	0.44%	4.75%	11/17/2006
Conservative Income Portfolio	-3.65%	1.69%	3.00%	-4.02%	3.56%	11/17/2006
Inflation-Protected Securities Portfolio	-7.63%	3.14%	3.40%	-9.04%	4.59%	11/17/2006
Money Market Portfolio	0.00%	0.00%	0.19%	0.00%	1.14%	11/17/2006

Believe in them. Invest in them. Rob Riccard, State Treasurer | www.PA529.com

Benefits to Advisors

- Expands the options you currently offer to clients.
 - Provides Pennsylvania residents access to 'home state' plan, which provides benefits not available when saving with out-of-state plans.
 - Pennsylvania's 529 College Savings Programs will offer additional options for clients looking to save.
 - As direct sold plans, Pennsylvania's 529 would complement any existing plans offered.

Believe in them. Invest in them. Rob Riccard, State Treasurer | www.PA529.com

Benefits to Advisors

- Have clients join the 177,000+ PA 529 plan active accounts (GSP & IP), plus the 10,000+ accounts that have been used already!
- As of June 30, 2013, PA 529 plans have \$2.847+ billion in assets under management (GSP & IP combined).
- Since 1997, the GSP has benefitted 50,000+ students with \$1.231 billion total paid (\$374 million in growth), representing a 43% growth.
- Since 2002, the IP has benefitted 14,000+ students with \$307 million total paid (\$39 million in growth), representing a 14.5% growth.

Believe in them. Invest in them. Rob Riccard, State Treasurer | www.PA529.com

Benefits to Advisors

PENNSYLVANIA TREASURY
529 COLLEGE SAVINGS PROGRAM

- Work directly with a Program Specialist assigned to your area.
- Program Specialists are available to assist you:
 - Host client webinars, meetings, presentations, & more.
 - Provide program literature to clients.
 - Plan & implement marketing initiatives (such as writing a newsletter article).
 - Provide support in any other way.

PA 529 College Savings Program
717.772.5000
advisors@PA529.com

Believe in them. Invest in them. Rob Ricard, State Treasurer | www.PA529.com

Benefits to Advisors

PENNSYLVANIA TREASURY
529 COLLEGE SAVINGS PROGRAM

■ **Dave Domalski**
Phone: (717) 797-4560
Email: [ddomalski@patriasury.gov](mailto:dodomalski@patriasury.gov)

■ **Charley Guth**
Phone: (717) 772-0286
Email: cguth@patriasury.gov

■ **Currently Unassigned**
Call or Email Charley Guth or Kelly Double

■ **Kelly Double**
Phone: (717) 793-0880
Email: kdouble@patriasury.gov

Believe in them. Invest in them. Rob Ricard, State Treasurer | www.PA529.com

Benefits to Advisors

PENNSYLVANIA TREASURY
529 COLLEGE SAVINGS PROGRAM

- Use 529 Quickview to manage accounts in the Pennsylvania's 529 Investment Plan (IP).
 - Manage accounts in the PA 529 IP with one online platform.
- One stop for all PA 529 IP accounts.
 - Download financial data, perform routine account maintenance, keep track of clients' savings goals.

Visit www.529quickview.com for details!

Believe in them. Invest in them. Rob Ricard, State Treasurer | www.PA529.com

What information is available on PA 529 QuickView?

THE AMOUNT OF CLIENT INFORMATION THAT IS AVAILABLE ON THE SITE DEPENDS ON THE LEVEL OF ACCESS YOUR CLIENT HAS GRANTED YOU. THE PORTAL'S COMPLETE CAPABILITIES INCLUDE:

- View plan details and account balances
- Manage client account profiles
- Search and sort accounts
- Download client asset balances
- View quarterly statements, confirmations, and year-end tax forms
- Perform financial and non-financial transactions

Believe in them. Invest in them. Rob Ricard, State Treasurer | www.PA529.com

How Do I Get Started?

Step 1: Client Authorization

4 levels of authorization

1. Account Inquiry Access
2. Account Inquiry Access, Contributions, & Exchanges
3. Account Inquiry Access, Contributions, Exchanges, & Disbursements.
4. Power of Attorney

Forms available at www.PA529.com

Believe in them. Invest in them. Rob Ricard, State Treasurer | www.PA529.com

How Do I Get Started?

Step 2: Go To 529QuickView.com

Address: www.529quickview.com

The home page will display. Under the Login fields, select link to register for access.

You will be notified via email within 24 hours re: your PA 529 QuickView registration

Believe in them. Invest in them. Rob Ricard, State Treasurer | www.PA529.com
