

# 529 College Savings Plans AND Nevada Scholarships

SSGA  promise529

Putnam 529 for America<sup>SM</sup>

nevada college  
**kickstart**



*Jeff Blum's*  
**MILLENNIUM**  
*Scholarship*



**Vanguard**

NEVADA  
**PREPAIDTUITI****N**

 **wealthfront**



# Highlights of Proposed Nevada Academic Content Standards – Financial Literacy Grades 3-5

Grade 3: Movement Around Our World

- **Savings and spending (FL) SS.3.27.** Describe the difference between saving and spending.

Grade 4: Nevada: Past and Present

- **Savings and spending (FL) SS.4.32.** Explain the benefits of saving and methods of saving including but not limited to financial institutions, saving at home etc.

Grade 5: U.S.: Creating a New Nation

- **Financial decision-making (FL) SS.5.35.** Describe the importance of setting financial goals.



# Nevada College Kick Start Program

- ◆ The College Kick Start Program has been a great tool in helping to start the conversation about the need for families to save for college. Launched in 2013.
- ◆ The program establishes a college savings account for all Nevada public school kindergarteners each school year.
- ◆ Every child receives an initial deposit of \$50, and no taxpayer dollars are utilized
- ◆ To date, over 170,000 Kick Start accounts established
- ◆ A movement to create a college going culture in this State.
- ◆ The largest Children's Savings Account program in the Country





# Nevada College Kick Start Program

- Parents can now access their child's Kick Start account and link it to their existing SSGA Upromise or Vanguard 529 account online. Families can see their accounts together and watch them grow as they contribute 'little by little'!
- Legislation was passed in 2017 that requires parents to claim their child's Nevada College Kick Start account to prevent it from expiring.
- Nevada College Kick Start accounts must be claimed BEFORE the child enters 5<sup>th</sup> grade or August 1, whichever comes 1<sup>st</sup>.



# Nevada College Kick Start Program

- Teachers - WE NEED YOU – To Be Ambassadors for this wonderful program.
- To use it as an example when discussing savings options
- Parents need to know this program is ‘real’
  - Ambassador Responsibilities:
    - Tell kids they have the account when discussing saving
    - Share the program with parents at teacher conferences
    - Encourage parents to claim the account
    - Invite the Treasurer’s Office Staff to attend college/career day to talk about college and saving for college to kids



# SchoolSavings.com Pilot Program

- You'll hear this afternoon about an exciting new program coming to elementary schools in Nevada that allows students to save for the future and for college at school!!
- Students can learn the benefits of saving money at an early age and learn the importance of preparing for future expenses, especially for college.
- If you are interested in piloting the program contact speaker





# Highlights of Proposed Nevada Academic Content Standards – Financial Literacy - Grades 6-8

Grade 6-8:

- **Financial decision-making (FL) SS.6-8.FL.3.** Describe the services offered by various financial institutions, and government agencies including but not limited to: Matching Grant Money for College, Prepaid College Tuition, 529 College Savings Plan, etc.
- **Savings and spending (FL) SS.4.32.** Explain the benefits of saving and methods of saving including but not limited to financial institutions, saving at home etc.
- **Credit and Debt (FL) SS.5.35. SS.6-8.FL.7.** Discuss the cost of borrowing money for different types of goods and services including but not limited to: consumables, vehicles, higher education, and housing.



# What is a 529 College Savings Plan?

- State sponsored college savings plan designed to help families meet the rising cost of higher education
- Created by Congress in 1996 and are named after section 529 of the IRS Code. AKA “Qualified Tuition Programs”
- Federal Tax Advantages (Earnings not subject to federal tax)
- Tax free withdrawals for qualified educational expenses used at eligible educational institutions
- Eligible Educational Institution: Colleges, Universities, Vocational Schools or other Post Secondary Educational Institutions eligible to participate in a student aid program administered by the U.S. Department of Education
- Flexible contributions & No income limitations
- No annual fees for Nevada 529 accounts
- In Nevada, you can contribute up to \$370,000 per beneficiary



# **Skyrocketing Student Loan Debt**

- ◆ **Seven in 10 college seniors (68%) who graduated in 2015 had student loan debt, with an average of \$30,100 per borrower.” 4% increase from 2014\***
- ◆ **According to a January 2018 article in studentloanhero.com, over \$1.48 Trillion (with a T) Dollars in Student Loan Debt is owed in this country. Broken down, that equates to an astonishing 44 million borrowers! That’s about \$620 Billion more than the total US credit card debt.**
- ◆ **The average class of 2016 graduate has \$37,172 in student loan debt, up six percent from the previous year.**
- ◆ **Student loans now comprise the second largest form of consumer debt behind home mortgages.**

\*The Project on Student Debt: The Institute for College Access & Success 2016

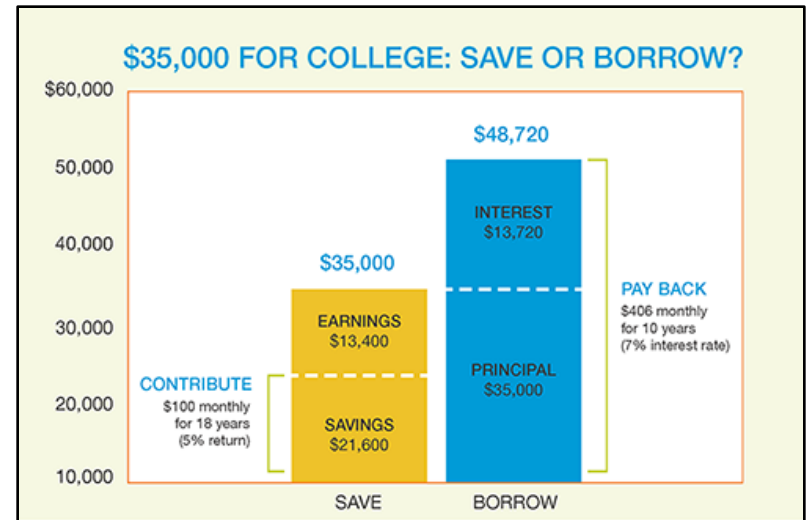


# Saving vs. Borrowing

With a combination of the high cost of college and today's economic climate, it may seem like a good idea to borrow for college when the time comes, rather than saving money now. But saving in advance can help in the long run. Consider these two hypothetical scenarios:

**Scenario 1:** Terry's parents start investing \$100 a month into a 529 plan account right after Terry's birth. In 18 years (assuming a 5 percent annual rate of return), they could potentially save more than \$35,000.\*

**Scenario 2:** Terry has to borrow \$35,000 to attend college. Based on a private student loan rate of 7.0 percent, Terry could be faced with a monthly payment of \$406 for 10 years (or \$48,720).\*\*



\*A plan of regular investment cannot ensure a profit or protect against a loss in a declining market.

\*\*This hypothetical example is for illustrative purposes only and assumes no withdrawals made during the period shown. It does not represent an actual investment in any particular 529 plan and does not reflect the effect of fees and expenses. Your actual investment return may be higher or lower than that shown. The loan repayment terms are also hypothetical.



# Benefits of ALL SIX Nevada 529 Plans

## Choices (SSGA/USAA/VANGUARD/WEALTHFRONT/PUTNAM/PREPAID)

Federal Tax Advantages

Affordable

No Annual Fees

Flexible, Convenient and Simple

No Income Limitations



# **Where can 529 Savings Plan accounts be used?**

- Any accredited college, university, community college, or vocational school throughout the United States
- Public and private institutions
- 2-year and 4-year programs
- Undergraduate or graduate school
- Payments are made directly to the school on a tax-free basis



# Nevada's 529 Savings (SSGA)

- **Open your own college savings account with as little as \$15**
- **Make affordable contributions**
- **Family and friends can also contribute to your child's account**
- **Use your savings at any eligible college, university or trade school in the country**
- **Tax-free withdrawals for qualified education expenses, include:**
  - ✓ **Tuition & mandatory fees**
  - ✓ **Certain room and board expenses**
  - ✓ **Books and other required supplies**

**Go to [NV529.org](http://NV529.org) or call 1-800-587-7305**



# Silver State Matching Grant

**Dollar-for-dollar match for up to \$300 per year**

Must be the account owner of an SSGA Upromise 529 account

Household AGI of less than \$75,000

Must be a Nevada resident

Beneficiary must be 13 years or younger when applying and under 14 when match is funded.

**Applications accepted from April 1 to July 31**

# 529 Savings Plans Offered by the State Treasurer's Office

- **Open an account with as little as \$15. May be eligible for the Silver State Matching Grant**

- **Nevadas529.com**  **promise529**

- **Advisor sold plan. May qualify for the Nevada Putnam Scholarship Program.**

- **putnam.com/529** Putnam 529 for America<sup>SM</sup>

- **Open with \$50 monthly contribution or \$250 initial investment. May qualify for the Distinguished Valor Matching Grant Program.**

- **usaa.com/529**



- **One of four plans ranked “gold” by Morningstar. Nevada residents can open with a minimum of \$1,000.**

- **vanguard.com/529**



- **A new college savings plan personalized for you. There are no advisory fees in the first \$25,000 invested for Nevada residents. The minimum investment is \$500 per account.**

- **wealthfront.com/529**





# **USAA Distinguished Valor Matching Grant**

**Dollar-for-dollar match for up to \$300 per year**

Must be the account owner of a USAA 529 College Savings

Household AGI of less than \$95,000

Must be a Nevada resident

Beneficiary must be 13 years or younger when applying

**Applications accepted from Jan 1 to Dec 15**

# Affect on Federal Financial Aid

- A 529 account is treated as a parental asset and is assessed only 5.64% of the expected family contribution
- If the account is in the student's name, it is assessed at 20%
- Withdrawals DO NOT add to a family's income
- Example: Family Saves \$10,000 in 529 College Savings Account. EFC Increases by \$564 due to savings



# **Dispelling 529 College Savings Plan Myths**

**FICTION:** It's too late to start a 529 college savings plan for a high school student.

**FACT:** 529 plans have no age limits, so it's never too late to open an account. Investment options range from conservative to aggressive, so you can select or create a portfolio that's appropriate for older students. Even if the account's held for just a handful of years, the 529 plan's tax-deferred growth and tax-free distributions for qualified higher education expenses can mean more money to pay for undergraduate or graduate school.

In fact, even adults planning to return to school can benefit from saving in a 529 plan.



# Two Types of 529 Plans in Nevada

- Prepaid Tuition Program
  - Structured like a Defined Benefit Plan.
  - Purchase In State Tuition Credit Hours at TODAY'S COST– for FUTURE USE – VALUE can be used out of state.
    - Example: University contract, pays future UNR in state (per credit hour) tuition rate.
    - Harvard attendance, pays future UNR in state tuition rate (per credit hour) to Harvard, scholarships/family pays difference
- 529 Savings Plan –
  - Like ROTH IRA
  - Defined Contribution Plan.
  - After Tax Contribution...Back End Tax Benefit





# Tomorrow's Tuition, Today's Prices

## NEVADA **PREPAID**TUITION

- **Parents who purchased a 4 Year University Nevada Prepaid Tuition plan in 2003 paid \$79.00 per credit hour. When their child enrolled at a Nevada OR OUT OF STATE university last fall, tuition was be *paid out on their child's behalf* at \$215.50 per credit hour. Those families will save almost *\*\$17,000 on tuition. (\*Tuition increases to \$224.00/credit hour 2018-2019)***
- **Plans available for newborns through 9<sup>th</sup> grade.**
- **Cost Example: 4 Year University Tuition for a 3<sup>rd</sup> grader \$24,773 this year. (Lump Sum)**
- **Payments can be spread monthly over 5 years or longer**
- **Contract benefits can be used to pay for tuition at public or private institutions of higher education, including colleges, universities and trade schools *nationwide (where FAFSA accepted)*.**

# Dispelling Nevada Prepaid Tuition Plan Myths

- Fiction: The tuition benefits can only be used in the State of Nevada
- Fact: In FY16, The Nevada Prepaid Tuition Program paid out **\$6.8 Million** to in-state Nevada System of Higher Education Schools (NSHE) and **\$3.2 Million** to out of state schools.
- Fact: Last year STO paid tuition to Yale, Stanford, Brown, Columbia, Cornell, Duke, and Harvard Universities to name just a few.
- Fact: The value of a Prepaid Tuition Contract can be used out of state, anywhere FAFSA is accepted.\*
- Fact: Many students have even used this program to study abroad

\*For a complete list of schools, visit <https://fafsa.ed.gov/>

# Dispelling Nevada Prepaid Tuition Plan Myths

- Myth: If my child gets a full ride scholarship or a partial scholarship, it will not be useful to me
- Fact: Purchaser has options:
  - 1) Receive a full refund of all money paid into the program
  - 2) Utilize the Prepaid Tuition Program to pay toward credit hours and let the scholarship money be paid toward room and board/books/fees/computers/etc.
  - 3) Change beneficiary to eligible family member
  - 4) Rollover value to a 529 Savings Plan to be used for graduate school



# Highlights of Proposed Nevada Content Standards – Grades 9-12

Grade 9-12:

- **Savings and spending (FL) SS.9-12.FL.4.** Develop and evaluate a personal financial plan, including a savings plan, utilizing a financial record keeping system for accounts.
- **College and career preparedness (FL) SS.9-12.FL.11.** Evaluate college and career choices and their effect on income, disposable income, unemployment and underemployment.
- **College and career preparedness (FL) SS.5.35. SS.9-12.FL.13.** Analyze the requirements and benefits of postsecondary financing options including but not limited to: Free Application for Federal Student Aid (FAFSA), Western Interstate Commission for Higher Education, Governor Guinn Millennium Scholarship, Silver State Opportunity Grant Program, prepaid tuition, and college savings programs.



# College and Career Choices Affect the Earning Power of a College Degree

- According to an April 13, 2018 report from the US Bureau of Labor Statistics, by educational attainment, full-time workers age 25 and over without a high school diploma had median weekly earnings of **\$563**, compared with **\$713** for high school graduates (no college) and **\$1,286** for those holding at least a bachelor's degree. Among college graduates with advanced degrees (master's or professional degree and above), the highest earning 10 percent of male workers made **\$3,894** or more per week, compared with **\$2,875** or more for their female counterparts\*
- Of Nevada high school seniors who graduate, only 52.7% go on to college (vs. 62.6% nationally).\*\*
- College graduates earn 60% more than high school graduates, difference in earning potential that could exceed \$1 million over the course of a child's lifetime.\*\*\*

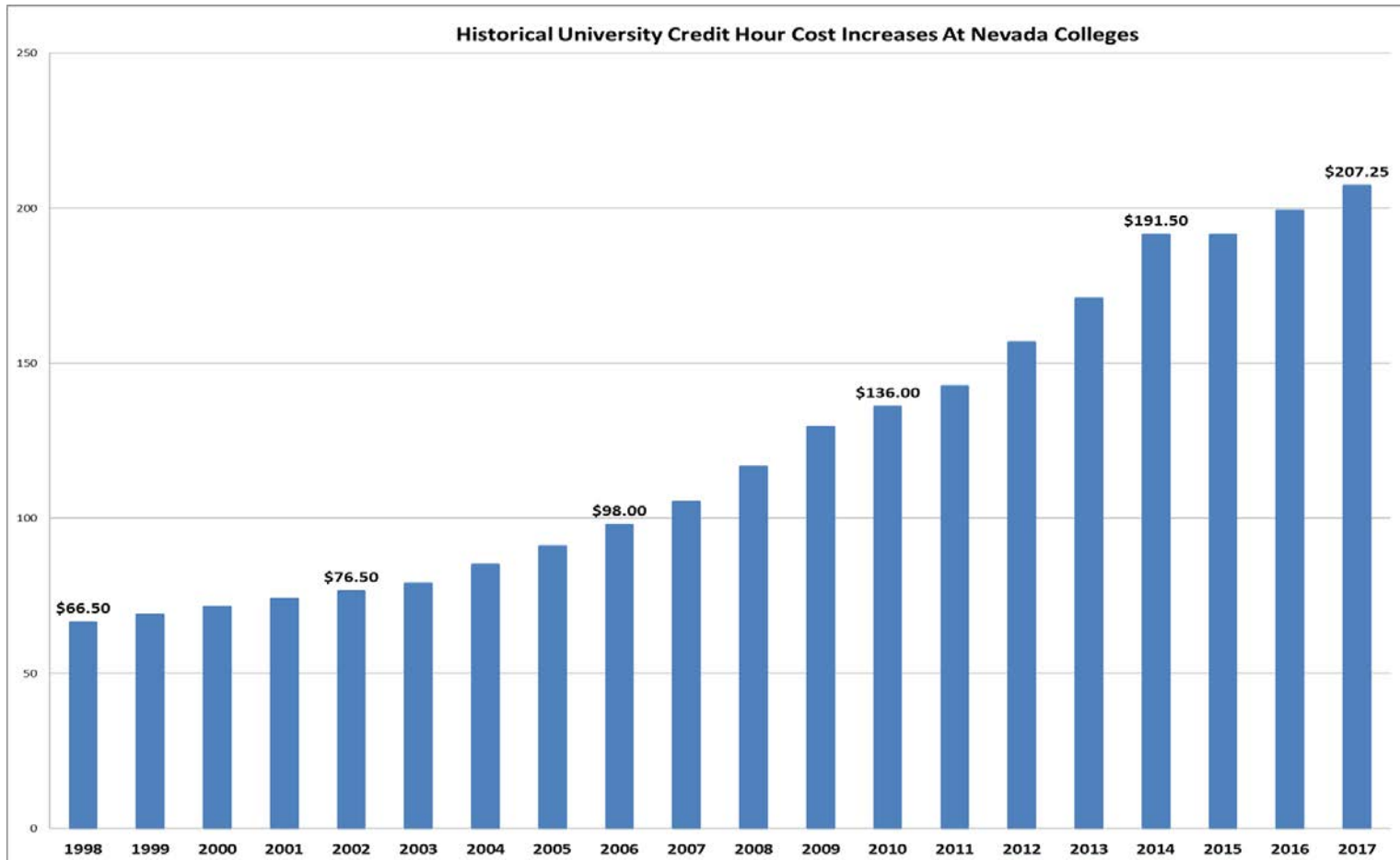
\*<https://www.bls.gov/news.release/pdf/wkyeng.pdf>

\*\*<http://www.higheredinfo.org/dbrowser/index.php?measure=32>

\*\*\*[https://cew.georgetown.edu/wp-content/uploads/2014/11/Recovery2020.ES\\_.Web\\_.pdf](https://cew.georgetown.edu/wp-content/uploads/2014/11/Recovery2020.ES_.Web_.pdf)



# The Cost of a College Education Keeps Rising!



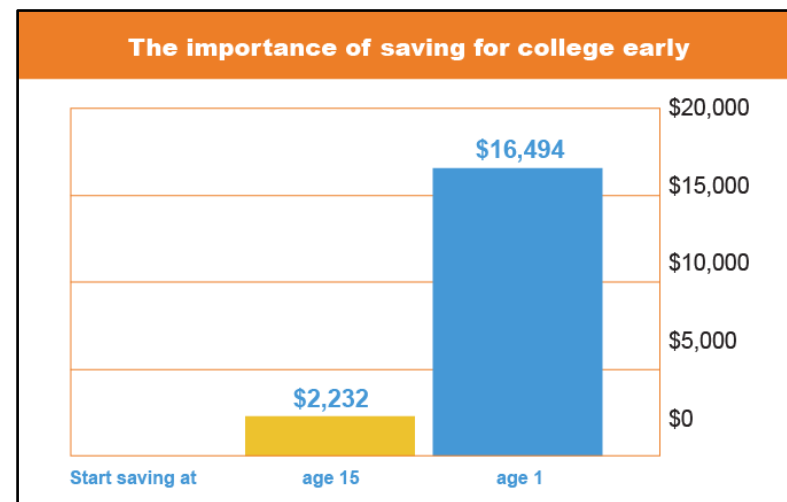


# The Cost of Not Planning Ahead

College may be expensive, but if you plan ahead, it doesn't have to be out of reach. For the cost of a night out with the family, you can afford to invest every month. And studies have shown that regular investments can add up to a significant college nest egg over time.\*

As you can see in this hypothetical chart, if an account owner began to save \$50 a month when a child was 1 year old (with an initial contribution of \$250), a 529 college savings plan could potentially have an account worth \$16,677 by the time the child was college age.

While starting an account later in a child's life (say, age 15) could still result in tax-free assets of more than \$2,000.\*\*



\*A plan of regular investment cannot ensure a profit or protect against a loss in a declining market.

\*\*The hypothetical example assumes college begins at age 18 and is based on a 5 percent rate of return compounded daily, and is for illustrative purposes only. It does not reflect an actual investment in any particular 529 plan or taxes, if any, payable upon withdrawal.

# Dispelling 529 College Savings Plan Myths

**FICTION:** If the child gets a scholarship, the 529 account money is lost.

**FACT:** The person who owns the 529 account controls it. That means if the first beneficiary receives a scholarship, the account owner can change the beneficiary to another eligible “member of the family” (as defined under the Internal Revenue Code of 1986, as amended) with no penalty. The 529 account can also be left in the first beneficiary’s name or grandchildren’s names, creating an education legacy, as assets are passed down between generations.\* It’s also possible to take a non-qualified withdrawal of the account assets, however, account earnings would be subject to federal income tax and may be subject to a 10 percent federal penalty tax, as well as state and local income taxes.

\*Rules regarding gifts and generation-skipping transfer tax may apply in the case of a change of beneficiary. You should consult with a tax advisor when considering a change in beneficiary.

# **Dispelling 529 College Savings Plan Myths**

**FICTION: Only a parent can open a 529 account.**

**FACT:** Parents, grandparents, aunts, uncles, and friends can open a 529 account for a beneficiary. Of course, some families prefer to open the account themselves and invite friends and family to make contributions.

Adults also can open a 529 account and name themselves as the beneficiary to fund their own education.



# Governor Guinn Millennium Scholarship

## Scholarship Eligibility Criteria:

- Graduate with a diploma from a Nevada Public Or Private High School (exceptions home schooling)
- Be a Nevada resident for at least two of their high school years
- Graduate with a Minimum GPA of 3.25 OR receive qualifying ACT/SAT Score
- Complete the core curriculum consisting of:
  - 4 units of English, 4 units of Math, 3 units of Science, and 3 units of Social Studies and History



# Governor Guinn Millennium Scholarship

- **\$10,000 scholarship available to recipients for six years after they graduate from high school.**
- **Students can use the scholarship at any institution in the Nevada System of Higher Education.**
- **The scholarship will pay for a portion of tuition:**
  - **\$80 per credit up to 15 credits at the university level**
  - **\$40 per credit up to 15 credits at the junior college level**



Visit [nvggms.gov](http://nvggms.gov) or call 1-888-477-2667



# Governor Guinn Millennium Scholarship

- **Where the Scholarship can be used:**
  - **UNLV**
  - **UNR**
  - **Nevada State College**
  - **Sierra Nevada College**
  - **Western Nevada College**
  - **Truckee Meadows Community College**
  - **Roseman University of Health Sciences**
  - **Great Basin College**
- ***NEEDS A PERMANENT FUNDING SOURCE!!* Funded by Tobacco Settlement Money every year. Every 2 years without a special appropriation by the legislature the fund will run out of money. Estimated Shortfall in **Fall 2019** right now if action not taken in next session.**
- **Teachers: Advocate for program and share with parents the need to get involved in the 2019 (Feb-Jun) legislative session**



Visit [nvggms.gov](http://nvggms.gov) or call 1-888-477-2667



# FAFSA – Free Application for Federal Student Aid

**FAFSA determines eligibility for Federal Student Aid including Grants, Loans, & Work Study**

**2 forms of Federal Student Aid:**

Need Based / Merit Based

Helpful Links:

[www.fafsa.ed.gov](http://www.fafsa.ed.gov)

[www.studentaid.ed.gov](http://www.studentaid.ed.gov)

## **Grants:**

Federal Pell (up to \$5,815 depending on EFC)

## **Loans:**

Stafford Loans:

- (Subsidized/Unsubsidized)

Federal Perkins Loan:

- Lent directly to students from institutions

## **Federal Work Study:**

Part-time employment opportunities for students with the federal government paying half of the wages



# **WICHE – Western Interstate Commission for Higher Education**

- Tuition reduction student exchange program for Undergraduate, Graduate and Professional degree seekers
- 16 western regional member states participating

## 3 Programs:

- Western Undergraduate Exchange,
- Professional Student Exchange Program
- Western Regional Graduate Program

Helpful Links

[www.wiche.edu](http://www.wiche.edu)



## **Secondary Financing Options Available to Nevada Students**

- FAFSA – Free Application for Federal Student Aid
  - Some schools use for merit too but mostly needs based. ALL PARENTS SHOULD FILL IT OUT
- WICHE- Western Interstate Commission for Higher Education
- SSOG- Silver State Opportunity Grant



# Silver State Opportunity Grant

- State supported financial aid program created by the 2015 Legislature
- Students can be awarded up to \$5,500 annually to meet the cost of attendance
- Need based grants awarded to eligible low income students at a community college or state colleges within the Nevada System of Higher Education (NSHE)

Students must complete FAFSA in order to determine need based eligibility

Helpful Links

[www.nevada.edu/ir/page.php?p=ssog](http://www.nevada.edu/ir/page.php?p=ssog)



## Other Thoughts on College and Career Preparedness...

- Some studies report that 70% of all jobs will require a college degree by 2030
- According to an article by the Chicago Tribune nearly a 3<sup>rd</sup> of employers say the have increased their educational requirements over the past 5 years (Career Builder)
  - 37% of companies hire college graduates for positions that in the past were primarily held by people with high school degrees and 26% hire people with Master's for jobs that used to be held by candidates with Bachelor's degrees
- With higher education costs increasing, and demand for workers with higher education credentials, families need to save today! Help us help them!



# Important Takeaways From the Nevada State Treasurer's Office

- The State Treasurer's Office will be developing lesson plans for grades 3-12 in the future
- Six 529 Plan Choices and two Scholarships for Nevada kids/families
- It's never too early to start planning for the future and talking about college with kids
- A college degree continues to be a huge differentiating factor when it comes to:
  - Opportunity
  - Earning Potential
  - Higher Employment



# Get Started Today!

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**NV529.ORG**

