

# The Texas 529 College Savings Plans



Texas Comptroller of Public Accounts



# Before We Begin



- Our office cannot provide legal, tax, financial, benefit or investment advice, or advice regarding penalty avoidance under applicable tax law, about the plans or program.
- Before enrolling in the plans or program, individuals should contact their attorney or other advisor regarding their specific legal, tax, financial, benefit, or investment situation and should carefully read the:
  - ✓ Texas College Savings Plan® Plan Description and Savings Trust Agreement
  - ✓ LoneStar 529 Plan® Plan Description and Savings Trust Agreement
  - ✓ Texas Tuition Promise Fund® Plan Description and Master Agreement
  - ✓ Texas ABLE® Program Disclosure Statement and Participation Agreement

# Texas Prepaid Higher Education Tuition Board

The plans and programs in this presentation were created by Texas statute and are maintained by the Texas Prepaid Higher Education Tuition Board consisting of:

- The Texas Comptroller, serves as chair and executive director of the Board
- Two members appointed by the Governor
- Four members appointed by the Lieutenant Governor, of which two members are recommended by the Speaker of the Texas House of Representatives

## The Board administers the following plans and programs:

- The Texas College Savings Plan®
- The LoneStar 529 Plan®
- The Texas Tuition Promise Fund®
- The Texas ABLE Program®
- The Texas Guaranteed Tuition Plan
- The Texas Save and Match Program

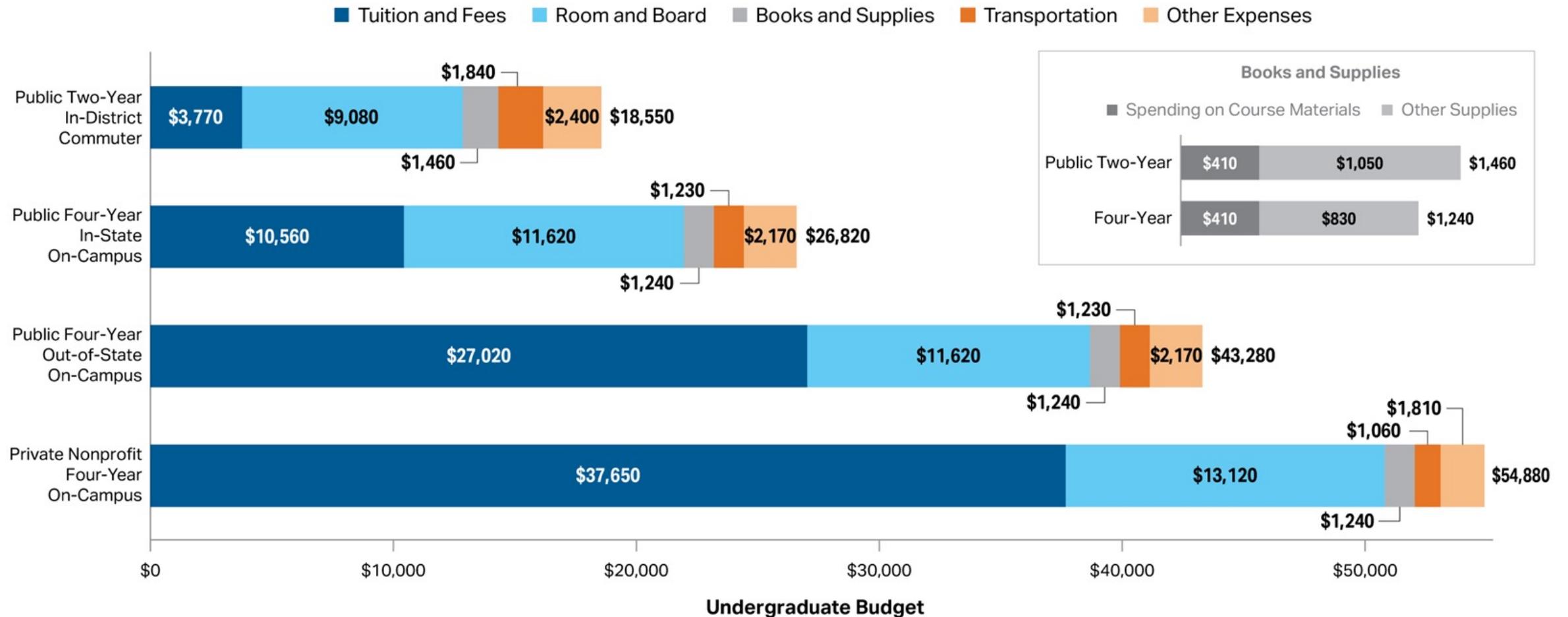
For more information about the Board and the plans and programs managed by the Board, visit [comptroller.texas.gov/programs/education](https://comptroller.texas.gov/programs/education)

# Agenda



- **Texas 529 College Savings Plans**
- **Texas Tuition Promise Fund**
- **Texas ABLE Program**

# Average Estimated Full-Time Undergraduate Budgets (Enrollment-Weighted) by Sector, 2020-21



# Texas Has Plans That Can Help You Save for College

Authorized by Section 529 of the Internal Revenue Code (IRC), the Texas “529 Plans” offer tax-advantaged accounts to save for college expenses. Any earnings in the account are tax-free if used for qualified education expenses.

## Texas offers two types of “529 Plans”

### College Savings Plans



No Texas residency required.

[TexasCollegeSavings.com](http://TexasCollegeSavings.com)  
[LoneStar529.com](http://LoneStar529.com)

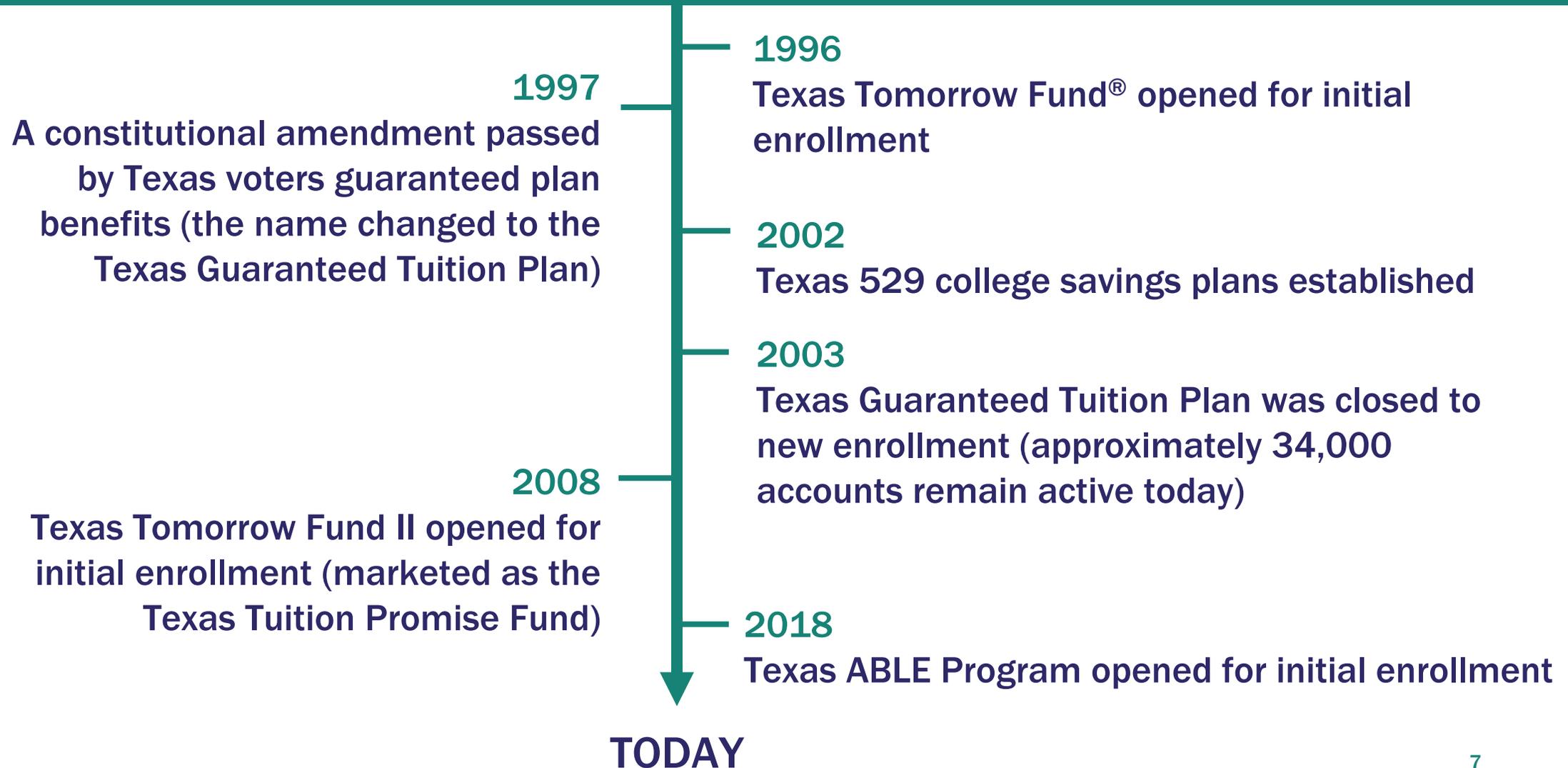
### Prepaid Tuition Plan



Texas residency required.

[TuitionPromise.org](http://TuitionPromise.org)

# History of the Texas “529 Plans”



# Texas 529 College Savings Plans

- Enrollment is open year round to U.S. citizens or permanent resident aliens 18 years of age or older.
- No beneficiary age or time restrictions for using assets in the account.
- Investor bears all risks of investing in the college savings plans.

## Examples of qualified education expenses include the following:

- Undergraduate tuition and fees
- Graduate tuition and fees
- Mandatory books, equipment or supplies
- Room and board (subject to limits)
- Certain special-needs services
- K-12 tuition (\$10,000 per beneficiary per year)
- Repayment of qualified student loan debt (\$10,000 per beneficiary or sibling of a beneficiary)
- Fees, books, supplies and equipment required for registered apprenticeship programs

# Texas 529 College Savings Plans

## Use Your Savings at Schools in the U.S. and Abroad

- Use your account to pay for qualified education expenses at most accredited institutions in the U.S., including vocational schools, two-year and four-year colleges and universities, graduate schools, and some foreign institutions.

## Choose Your Beneficiary

- Save for your child, grandchild, relative, friend, spouse, or even yourself.

## Control and Flexibility

- Retain control over when and how the savings are used. You decide when and how much to contribute and withdraw. You can even change beneficiaries among certain family members without penalty. You should consult your tax advisor to determine whether this may create a taxable gift.

# Texas 529 College Savings Plans

## Low Minimums and High Maximums

- **Open an account with as little as \$25.**
- **Contribute up to \$500,000 per beneficiary for all Texas 529 plans combined.**
- **Choose the amount and frequency of subsequent contributions after establishing an account.**
- **Make subsequent contributions of \$25 or more at any time or choose an automatic investment plan (AIP) that allows you to set up recurring contributions of \$15 or more to your account.**
- **Contribute by check, ACH or payroll deduction.**
- **Gifting feature available.**

# Give the Gift of Education

## Opening an Account as a Gift

Qualified participants can open a Texas College Savings Plan account with as little as \$25 and benefit immediately from potential estate tax and gift tax advantages.

## Low Minimums and High Maximums

Contributing a gift to a loved one's existing Texas College Savings Plan account helps them in saving for their college goal and will matter long after the gift is given<sup>1</sup>.

## Gift Tax and Estate Tax Benefits

For 2021, you can contribute up to \$15,000 annually (\$30,000 for married couples) per beneficiary, or up to \$75,000 over a five-year period (\$150,000 for married couples) per beneficiary, without triggering the gift tax. Completed gifts are excluded from the participant's estate, thereby reducing potential estate tax obligations<sup>2</sup>.



<sup>1</sup>Non-account owners have no control over contributions. Only account owners may direct transfers, rollovers, withdrawals, investment changes and changes in the designated beneficiary. Changes in beneficiary are limited to certain family members of the current beneficiary to avoid federal income tax consequences.

<sup>2</sup>If the contributor utilizes the special five-year lump-sum exclusion and the account owner dies within five years of the funding date, the portion of the contribution allocable to the years remaining in the five-year period (beginning with the year after the account owner's death) would be included in the account owner's estate for federal estate tax purposes. We recommend that you consult your tax advisor for more information on this option.

# Texas 529 College Savings Plans

## Other Ways To Use Your College Savings Plan:

**Eligible apprenticeship programs**

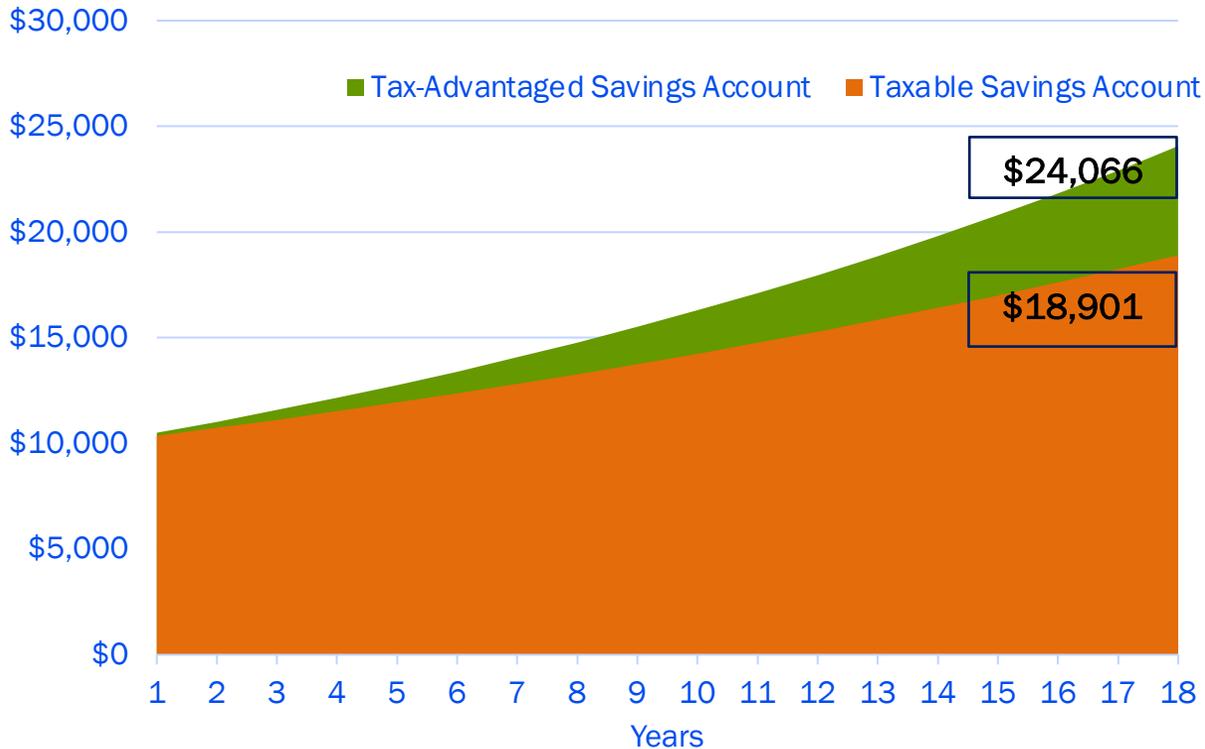
**Up to \$10,000/year for public, private and religious K-12 tuition**

**Up to \$10,000 paid as principal or interest on qualified student loans of the beneficiary and/or their sibling**



- **Apprenticeship programs must be registered and certified with the Secretary of Labor under section 1 of the National Apprenticeship Act.**
- **The \$10,000/year limitation for K-12 tuition applies on a per-student basis, rather than a per-account basis.**
- **The qualified education loan repayments applies on a per-student basis with a lifetime limit of up to \$10,000 per beneficiary and/or their sibling.**

# The Benefits of Tax-Free Savings



## Tax Incentives

The tax advantages of opening an account in the Texas College Savings Plans are available to any U.S. citizen or permanent resident alien 18 years of age or older with a valid social security number, regardless of income level, tax bracket or financial situation.

## Tax-free Growth

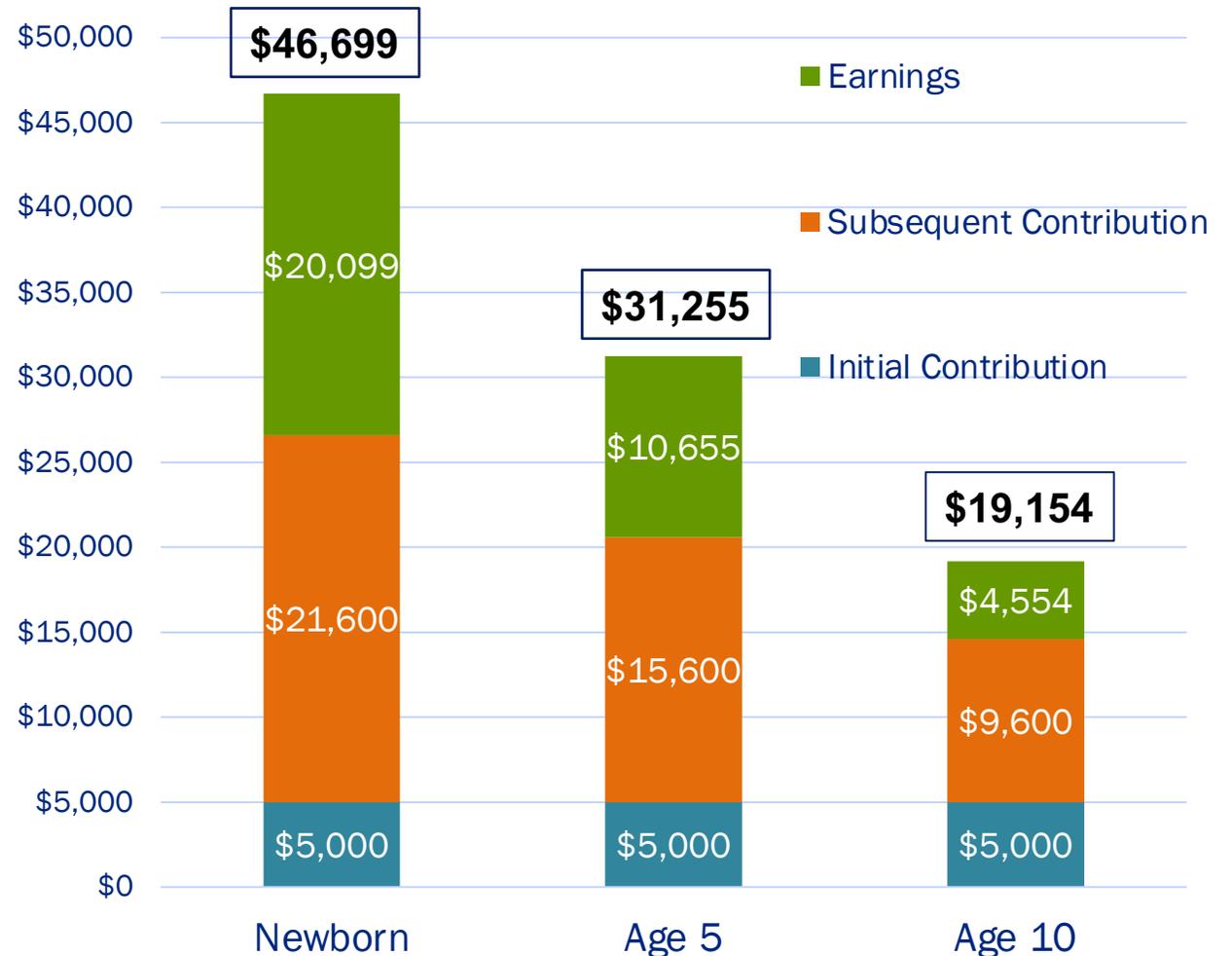
Because earnings in 529 plans are not subject to federal income tax and generally not subject to state tax when used for qualified education expenses, it can help your account grow. As the chart shows, the tax advantages of a 529 plan could mean the difference between fully funding a higher education and coming up short.

This hypothetical illustration assumes an initial investment of \$10,000 and a 5% annual rate of return. The taxable account assumes a 28% federal tax rate. The illustration does not represent the performance of any specific account or investment and does not reflect any plan fees or sales charges that may apply. If such fees or sales charges had been taken into account, returns would have been lower.

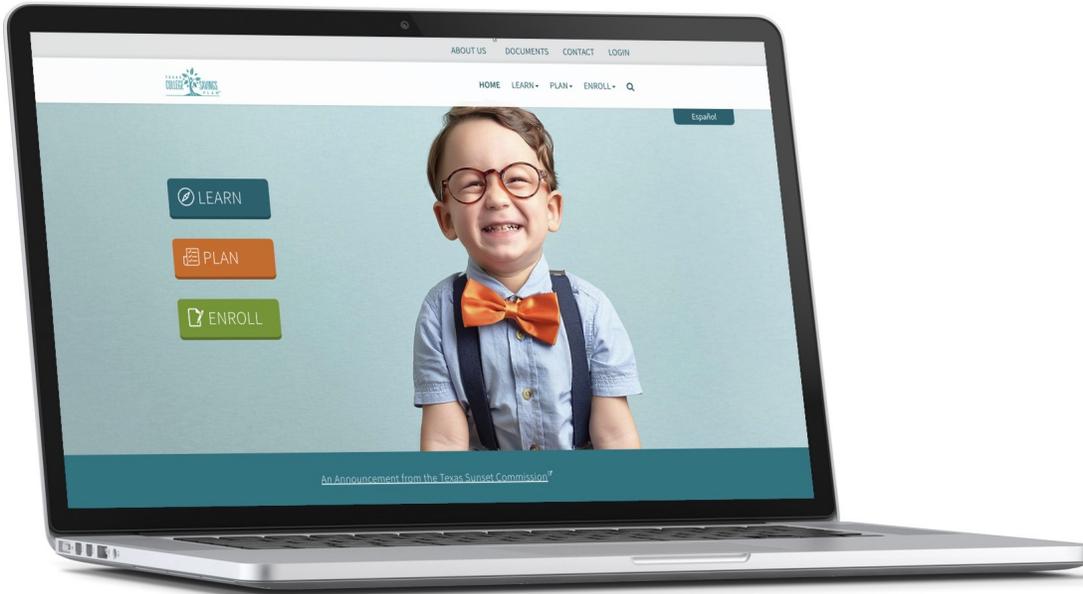
# An Early Start Can Make a Difference

- Choose regular contributions that fit your budget.
- Take advantage of the power of compounding savings and interest for a longer period of time.

This hypothetical illustration shows how plan contributions might grow if you start with \$5,000 when your child is a Newborn and continue saving \$100 per month until your child is 18, compared to starting when the child is Age 5 or Age 10. The chart assumes a \$5,000 lump sum investment, \$100 monthly investments and 5% annual rate of return. The calculations are for illustrative purposes only, and the results are not indicative of the performance of any investments. The calculations do not reflect any plan fees or charges that may apply. If such fees or charges were taken into account, returns would have been lower. With any long-term investment, investment returns may vary. Such automatic investment plans do not assure a profit or protect against losses in declining markets.



# Texas 529 College Savings Plans



- **Enroll online or by paper application in the direct-sold Texas College Savings Plan**
- **Enroll through a financial advisor in the advisor-sold LoneStar 529 Plan**
- **Review and select investment options**
- **Set up online account access**

# Texas 529 College Savings Plan



## Equity Funds

- T. Rowe Price Large Cap Growth - TRLGX
- Artisan Value Fund Institutional Shares - APHLX
- Vanguard Institutional Index - VINIX
- DFA US Small Cap - DFSTX
- Vanguard Extended Market Index Fund - VIEIX
- Dodge and Cox International Stock - DODFX
- Vanguard Total International Stock Market Index Institutional Plus - VTPSX

## Fixed Income Funds

- Vanguard Total Bond Market Index Institutional Plus - VBMPX
- DFA Inflation-Protected Securities I - DIPSX

## U.S. Government Money Market Fund

- Dreyfus Treasury Securities Cash Management - DIRXX

**Investments in mutual funds involve risk, including loss of principal.**

# Texas 529 College Savings Plan

## Investment Options

### Blended Age Based Portfolios

- 1 TCSP Age Based 0-6 Blended Portfolio
- 2 TCSP Age Based 7-9 Blended Portfolio
- 3 TCSP Age Based 10-11 Blended Portfolio
- 4 TCSP Age Based 12-14 Blended Portfolio
- 5 TCSP Age Based 15-17 Blended Portfolio
- 6 TCSP Age Based 18 & Over Blended Portfolio

### Indexed Age Based Portfolios

- 1 TCSP Age Based 0-6 Indexed Portfolio
- 2 TCSP Age Based 7-9 Indexed Portfolio
- 3 TCSP Age Based 10-11 Indexed Portfolio
- 4 TCSP Age Based 12-14 Indexed Portfolio
- 5 TCSP Age Based 15-17 Indexed Portfolio
- 6 TCSP Age Based 18 & Over Indexed Portfolio



### Risk Based Portfolios

- 1 100% Equity Blended Portfolio
- 2 100% Equity Indexed Portfolio
- 3 Balanced Blended Portfolio
- 4 Balanced Index Portfolio

### Individual Portfolios

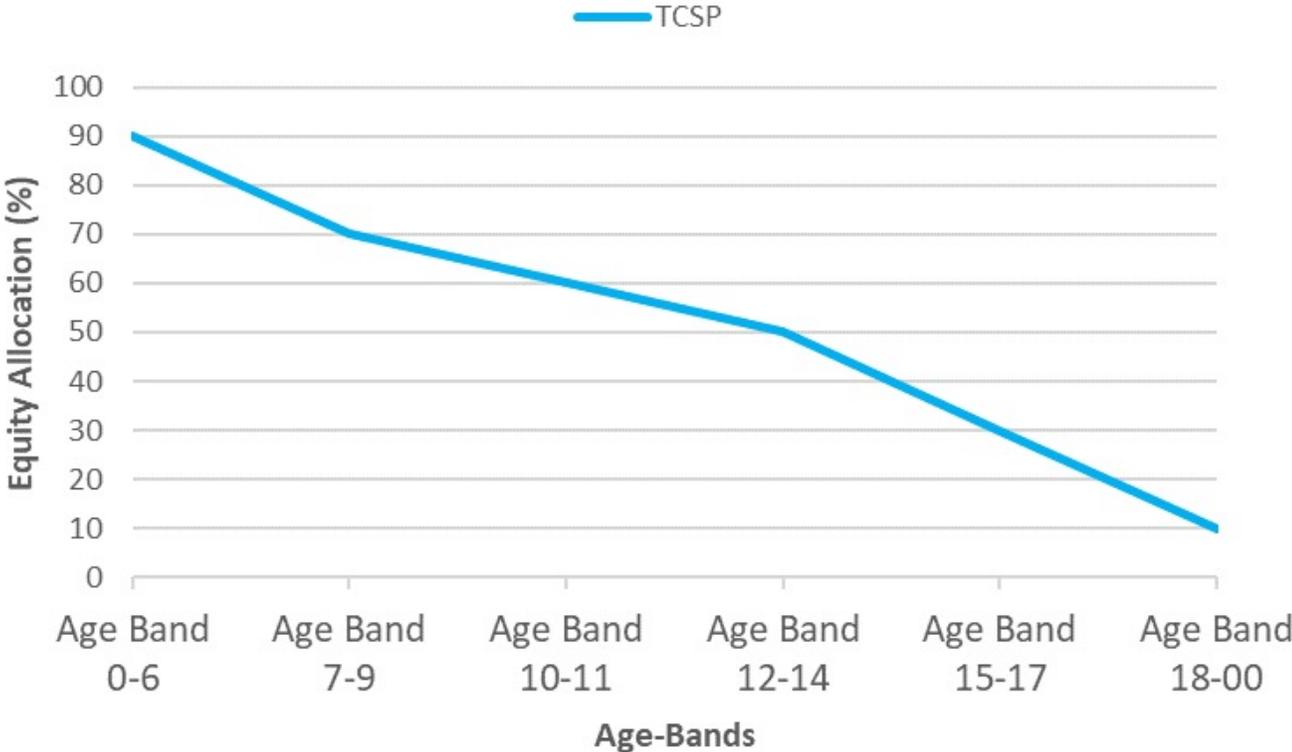
- 1 US Govt Money Market Portfolio<sup>1</sup>
- 2 Inflation Protected Bond Portfolio
- 3 Fixed Income Portfolio

<sup>1</sup>You could lose money if you select a money market portfolio. Although the money market fund in which your investment option invests (the “underlying fund”) seeks to preserve its value at \$1.00 per share, the underlying fund cannot guarantee it will do so. This investment option is not insured or guaranteed by the FDIC or any other government agency. The underlying fund’s sponsor has no legal obligation to provide financial support to the underlying fund, and you should not expect that the sponsor will provide financial support to the underlying fund at any time.

# Texas 529 College Savings Plan

## Investment Options

Equity Allocation of Age Bands



	Age Band 0-6	Age Band 7-9	Age Band 10-11	Age Band 12-14	Age Band 15-17	Age Band 18-00
TCSP	90	70	60	50	30	10

# LoneStar 529 Plan



## Equity Funds

- T. Rowe Price Large Cap Growth - TRLGX
- Artisan Value Fund Institutional Shares - APLX
- William Blair Growth Fund - BGFIX
- DFA US Small Cap - DFSTX
- Dodge and Cox International Stock - DODFX
- TIAA-CREF International Equity Index Fund – TCIEX
- Templeton Institutional Foreign Equity Series – TFEQX
- TIAA-CREF S&P 500 Index - TISPX

## Fixed Income Funds

- Dreyfus Bond Market Index Fund - DBIRX
- DFA Inflation-Protected Securities I - DIPSX

## U.S. Government Money Market Fund

- Dreyfus Treasury Securities Cash Management – DIRXX

**Investments in mutual funds involve risk, including loss of principal.**

# LoneStar 529 Plan

## Investment Strategies

### Age Based Portfolios

- 1 LoneStar Age Based 0-6 Years Portfolio
- 2 LoneStar Age Based 7-9 Years Portfolio
- 3 LoneStar Age Based 10-11 Years Portfolio
- 4 LoneStar Age Based 12-14 Years Portfolio
- 5 LoneStar Age Based 15-17 Years Portfolio
- 6 LoneStar Age Based 18 Years and Over Portfolio

### Risk Based Portfolios

- 1 LoneStar Balanced Portfolio



### Individual Portfolios

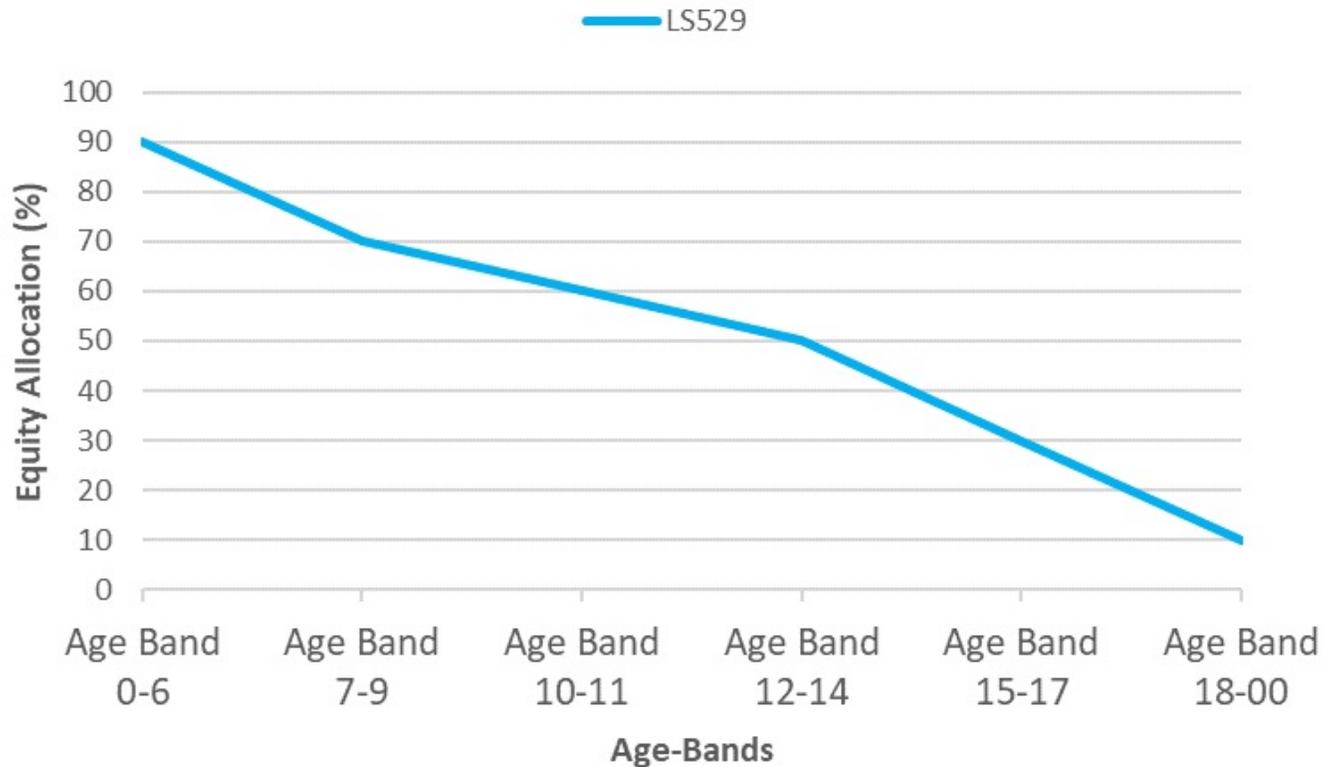
- 1 U.S. Government Money Market Portfolio<sup>1</sup>
- 2 Inflation Protected Bond Portfolio
- 3 Fixed Income Portfolio
- 4 100% Equity Portfolio
- 5 Large Cap Passive Portfolio
- 6 Socially Responsible Portfolio
- 7 All Cap Active Fund Portfolio
- 8 Large Cap Value Portfolio
- 9 Large Cap Growth Portfolio
- 10 Small Cap Portfolio
- 11 Non-US Equity Portfolio

<sup>1</sup>You could lose money if you select a money market portfolio. Although the money market fund in which your investment option invests (the “underlying fund”) seeks to preserve its value at \$1.00 per share, the underlying fund cannot guarantee it will do so. This investment option is not insured or guaranteed by the FDIC or any other government agency. The underlying fund’s sponsor has no legal obligation to provide financial support to the underlying fund, and you should not expect that the sponsor will provide financial support to the underlying fund at any time.

# LoneStar 529 Plan

## Investment Strategies

### Equity Allocation of Age Bands



# LONESTAR

## 529 PLAN<sup>SM</sup>

	Age Band 0-6	Age Band 7-9	Age Band 10-11	Age Band 12-14	Age Band 15-17	Age Band 18-00
LS529	90	70	60	50	30	10

# Tax Implications of 529 Plans

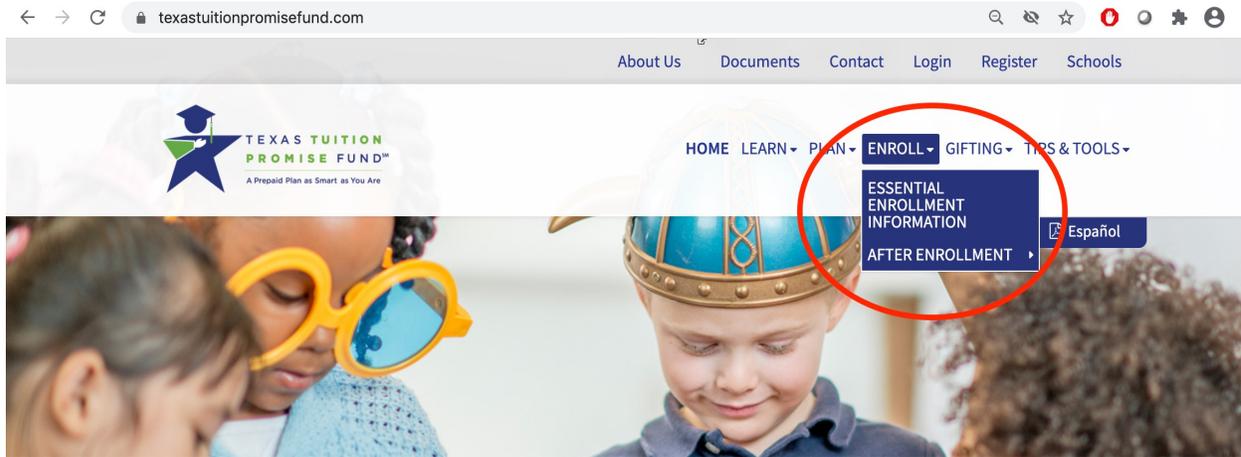
## Federal Taxation of Contributions to and Withdrawals from Section 529 Plans

- Contributions to Section 529 Plans are not deductible for federal income tax purposes.
- Any earnings on contributions are generally not subject to federal income tax.
- If distributions from a 529 account exceed the beneficiary's qualified education expenses for any tax year, the earnings attributable to the portion of the distribution that exceeds the beneficiary's qualified education expenses are subject to federal and applicable state income tax. Also, with a few limited exceptions, an additional 10% federal penalty is imposed on the amount of any distribution (or portion of a distribution) from a Section 529 Plan that is includible in the distributee's gross income.
- If the beneficiary receives a scholarship, funds up to the amount of the scholarship may be withdrawn without being subject to the additional 10% penalty. However, ordinary federal and any applicable state income tax would be owed on any earnings included in gross income.

# Impact on Financial Aid

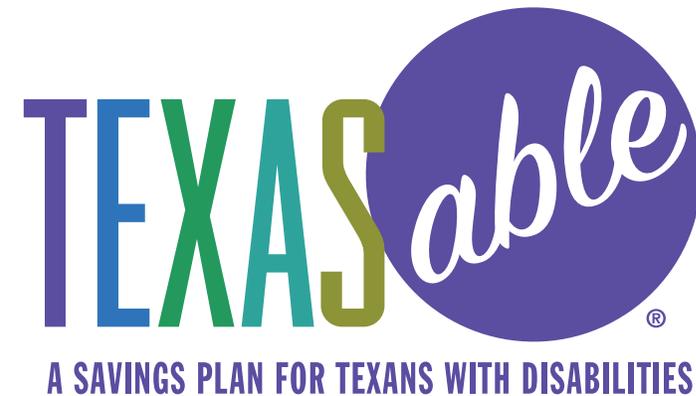
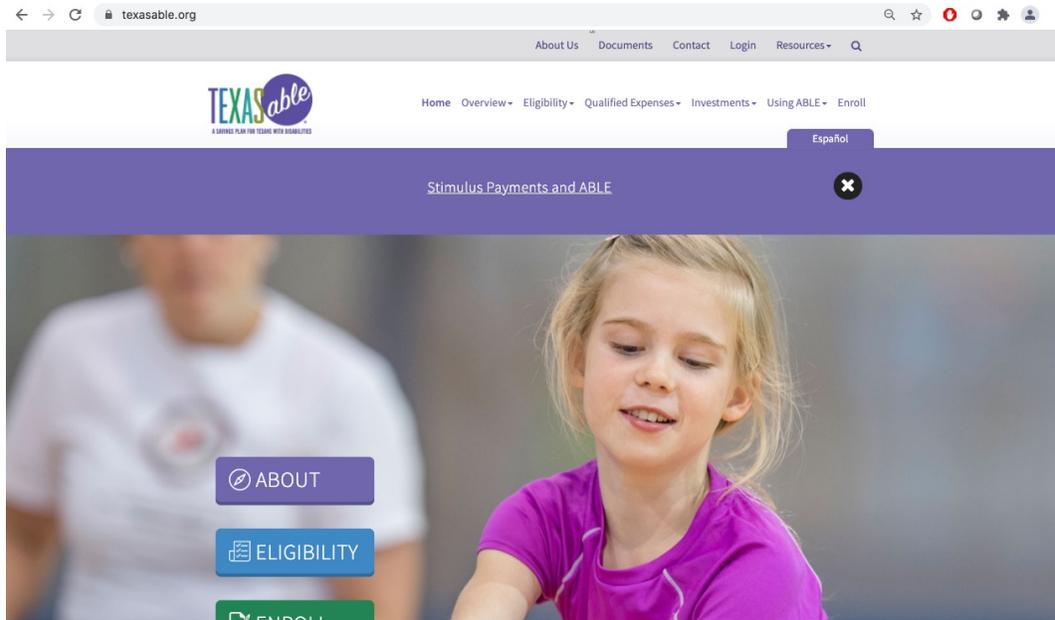
- Whether your account will affect the beneficiary's eligibility for **federal financial aid** depends on who the purchaser is and the beneficiary's relationship to the purchaser. Find more information about the Free Application for Federal Student Aid (FAFSA®) process at:
  - ✓ [studentaid.gov/apply-for-aid/fafsa/filling-out/help](https://studentaid.gov/apply-for-aid/fafsa/filling-out/help)
- For **Texas state-funded financial aid**, Texas law provides that the value of the account may not be considered an asset, income, or resource in determining eligibility for Texas state-funded student financial aid.
- For **school-based financial aid**, the effect of being a purchaser or beneficiary of an account varies from institution to institution.

# Texas Tuition Promise Fund®



- Tax-advantaged prepaid tuition plan that allows you to prepay undergraduate resident tuition and schoolwide required fees at Texas public colleges and universities, excluding medical and dental schools, at today's prices.
- General enrollment is open Sept. 1 - Feb. 28/29.
- Newborn enrollment is open through July 31.
- See [Tuitionpromise.org](https://tuitionpromise.org) for more information.

# Texas ABLE Program®



- The **Texas ABLE Program** is a tax-advantaged plan for eligible Texans with disabilities to save for qualified disability expenses.
- See **TexasABLE.org** for more information.

# Contact Us



[TexasCollegeSavings.com](https://TexasCollegeSavings.com)

800-445-GRAD (4723), Option #3



[LoneStar529.com](https://LoneStar529.com)

800-445-GRAD (4723), Option #4

See the [Plan Description and Master Agreement](#) available on the websites for detailed information about each plan.

# Disclosure

Total asset-based fees for the most recent quarter end are available on our websites. Please visit [www.texascollegesavings.com/expenses](http://www.texascollegesavings.com/expenses) and [www.lonestar529.com/expenses](http://www.lonestar529.com/expenses) for information on fees for the Texas College Savings Plan and LoneStar 529 Plan (“the Plans”), respectively. Additionally, all program fees are contained in the Plan Description and Savings Trust Agreements for the Plans. Fees are subject to change.

The Plans are established and maintained by the Texas Prepaid Higher Education Tuition Board. Orion Advisor Solutions, Inc. (“Orion”) is the plan manager and the Plans are distributed by Northern Lights Distributors, LLC (“NLD”) and administered by Gemini Fund Services, LLC. NLD and Gemini are not affiliated with Orion.

Non-residents of Texas should consider whether their home state, or the beneficiary’s home state, offers its residents any state tax or other state benefits, such as financial aid, scholarship funds, and protection from creditors that are only available for participants in that state’s 529 plan.

The account, the principal invested, and any investment return are not guaranteed, insured, or treated as a deposit or other obligation by the state of Texas, the FDIC, the Texas Prepaid Higher Education Tuition Board, any other state or federal governmental agency, or Orion, NLD, or Gemini or their respective affiliates. An account might not make money and could lose money (including the principal invested) if money is invested in the Plans. Interests in the Plans have not been registered with the U.S. Securities and Exchange Commission or with any state.

Before investing in the Plans, investors should carefully consider the investment objectives, risks, administrative fees, service and other charges and expenses associated with municipal fund securities. The Plan Description and Savings Trust Agreements for the Plans contain this and other information about the Plans and may be obtained by visiting [www.texascollegesavings.com](http://www.texascollegesavings.com) or calling 800-445-GRAD (4723), option #3, for the Texas College Savings Plan, or by visiting [www.lonestar529.com](http://www.lonestar529.com) or calling 800-445-GRAD (4723), option #4, for the LoneStar 529 Plan. Investors should read these documents carefully before investing.

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