



# TEXAS 529 UPDATE

BROUGHT TO YOU BY THE TEXAS TUITION PROMISE FUND®, THE STATE'S 529 PREPAID COLLEGE TUITION PLAN

JULY 2022



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## It's Never Too Early to Save for Your Future Scholar

Thinking of opening a Texas Tuition Promise Fund® (TTPF) account? If your loved one is younger than 1 year of age, now could be the time to open an account before prices change Sept. 1. Texas families can still open a TTPF account through July 31 for children younger than 1 year of age on the date of enrollment. You can lock in 2021-2022 prices for some or all of your bundle of joy's future undergraduate resident tuition and schoolwide required fees at Texas public colleges and universities, excluding medical and dental institutions.

You can establish an account by purchasing at least one tuition unit of any type you choose and paying

### JULY 31 IS NEWBORN ENROLLMENT DEADLINE

a \$25 administrative fee. The plan offers three tuition unit types and has flexible payment options that fit almost any budget. And the tax advantages of TTPF mean that earnings – the difference between what you pay for a tuition unit and its value at redemption – are tax free if used for qualified education expenses.

Once you have established an account, you can purchase up to 600 Type I tuition units (approximately six years of undergraduate tuition and schoolwide required fees at the most

expensive Texas public college or university) or the dollar equivalent of Type II or Type III units for your loved one. You can select to pay for all tuition units at once or take up to 18 years to pay for tuition units when you enroll a newborn. Current tuition unit sales prices range from \$29.15 for a Type III unit to \$164.12 for a Type I unit. The [Tuition Planning Calculator](#) on our website can help in determining the type and number of units you may want to consider purchasing.



TEXAS TUITION PROMISE FUND®  
A Prepaid Plan as Smart as You Are

# The Power of College Planning

Did you know that families with a college plan are generally better prepared for college costs than those without a plan? According to the 2020 edition of Sallie Mae's *Higher Ambitions: How America Plans for Post-secondary Education*, planners save two times more for college than non-planners (Exhibit 1). Planners are also more likely to start investing for college when their child is young, which is associated with less expected student loan debt.



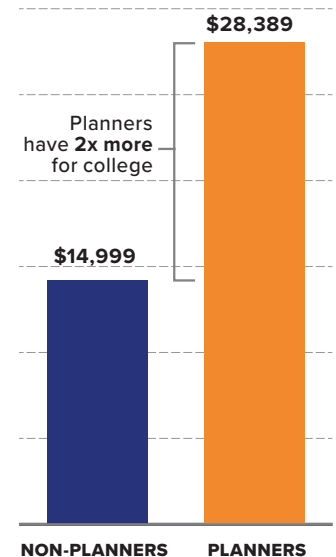
EXHIBIT 1

PLANNERS VS. NON-PLANNERS <sup>1</sup>	
More funds	2x more saved for college
Earlier start	2x more likely to start saving by the time the student is 6

<sup>1</sup> Sallie Mae, *Higher Ambitions: How America Plans for Post-secondary Education*, 2020



TOTAL COLLEGE FUNDS BY PLANNING STATUS<sup>1</sup>



# Five Myths About TTPF



There are a lot of myths about 529 college plans – plans authorized by Section 529 of the Internal Revenue Code – and the information can be overwhelming: Which plan is best for our family? Should we save in more than one plan?

Look at five myths about TTPF, the state’s 529 prepaid college tuition plan, and learn the facts. This information can help you decide what is best for you and your family when planning for your loved one’s future college education.

**MYTH:** TTPF is limited to Texas public schools.

**FACT:** TTPF is designed to be used at Texas public colleges and universities, where undergraduate tuition and schoolwide required fees are locked in, but you have the flexibility of using the *transfer value* of the units at medical and dental institutions, private and out-of-state colleges and universities, career schools and registered apprenticeship programs.

*Transfer value* is limited to the lesser of:

- The costs the tuition units would cover at a Texas public college or university; or
- The original purchase price of the tuition units plus or minus net investment earnings or losses on that amount.

## Which plan is best for our family? Should we save in more than one plan?

**MYTH:** I will lose money if the tuition units in my account aren’t used.

**FACT:** If the beneficiary of your account doesn’t go to college or doesn’t need all the tuition units in your account, you have several options:

- Change the beneficiary of your account, with certain limitations, to a member of the current beneficiary’s family who meets the residency requirement;
- Roll over the transfer value of your tuition units to a 529 college savings plan, such as the Texas College Savings Plan®, so that the money can be used for graduate tuition and fees, books and more; or
- Cancel the account for a refund of your tuition units. For tuition units that have met the plan’s three-year holding period requirement, you will receive the *refund value* of the units. For tuition units that haven’t met the three-year holding period requirement, you will receive the *reduced refund value* of the units.

*Refund value* is an amount equal to:

- The original purchase price of the tuition units plus or minus adjusted net investment earnings or losses on that amount. The adjusted earnings rate is set annually by the Texas Prepaid Higher Education Tuition Board at a rate that is up to 2 percent less than the actual net earnings and is capped at 5 percent.

*Reduced refund value* is limited to the lesser of:

- The original purchase price of the tuition units; or
- The original purchase price of the tuition units plus or minus net investment earnings or losses on that amount.

If an account is cancelled for a refund, the earnings portion of the refund is subject to federal income taxes plus a 10 percent additional federal tax as well as any state or local taxes that may apply for non-Texas account owners.

*Continued on page 4.*



# Five Myths About TTPF

**MYTH:** I will be penalized if the beneficiary of my account gets a scholarship.

**FACT:** If the beneficiary of your account receives a documented scholarship(s), you can request a refund at refund value for the amount of the scholarship. Earnings on refunds related to scholarships may still be subject to federal income tax if the amount refunded exceeds the amount of the scholarship, but are exempt from the 10 percent additional federal tax.

**MYTH:** A TTPF account will affect financial aid eligibility.

**FACT:** A TTPF account is not considered an asset for Texas state-funded financial aid. The impact of your account on federal financial aid depends on the purchaser's and beneficiary's relationship. The impact of your account on school-based financial aid varies from institution to institution.

Learn about  
federal financial aid.

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

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

[irs.gov](http://irs.gov)

(IRS Publication 970, Tax Benefits for Education)

**MYTH:** I have to choose between a 529 prepaid college tuition plan and a 529 college savings plan.

**FACT:** If your budget allows, you can participate in a 529 prepaid college tuition plan, like TTPF, and a 529 college savings plan. You can use TTPF to lock in undergraduate tuition and schoolwide required fees at Texas public colleges and universities and use a college savings plan to pay for other qualified education expenses not covered by TTPF. There is a maximum contribution limit of \$500,000 per beneficiary for all Texas 529 plans combined.

If your budget allows, you can participate in both types of 529 plans – a prepaid college tuition plan and a college savings plan.

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## UPCOMING WEBINARS

The Texas Tuition Promise Fund is offering virtual learning opportunities about the plan. [Register](#) for one of our upcoming webinars, and learn more about tuition units, tuition redemption values, payment options and more.\*

\*Residency restrictions apply.

## TEXAS 529A PROGRAM

Texas has a tax-advantaged Internal Revenue Code, Sec. 529A plan for eligible individuals with disabilities to save for qualified disability expenses. Learn more at [TexasABLE.org](#) or [email us](#) to inquire about virtual presentations.

### CONTACT US

[TuitionPromise.org](#)

[Email us](#)

Call 800-445-GRAD (4723), option 5

## TEXAS COLLEGE SAVINGS PLAN

Did you know the state of Texas also offers an Internal Revenue Code, Sec. 529 college savings plan? The Texas College Savings Plan is a 529 plan that can be used to save for expenses not covered by the Texas Tuition Promise Fund, including graduate school tuition and fees, room and board, books and equipment. Plan enrollment is open year round. Please visit [TexasCollegeSavings.com](#) for more information.

## IMPORTANT LINKS

[Webinar Calendar](#)

[Texas Tuition Promise Fund](#)

[Texas Match the Promise Foundation<sup>SM</sup>](#)

[Texas 529 Update Archives](#)

*The Texas Tuition Promise Fund® (“Fund”) and the Texas College Savings Plan® (“Savings Plan,” and together with the Fund, “Plans”) are established and maintained by the Texas Prepaid Higher Education Tuition (“Board”) and distributed by Northern Lights Distributors, LLC (“NLD”), Member FINRA/SIPC. Orion Advisor Solutions, Inc (“Orion”), 17605 Wright Street, Omaha, NE 68130, is the plan manager and administrator of the Fund. Orion is also the plan manager of the Savings Plan, which is administered by Gemini Fund Services, LLC (“Gemini”). NLD and Gemini are not affiliated with Orion.*

*Plan descriptions and agreements may be obtained at the following websites or by calling 800-445-GRAD (4723) and selecting the option # below:*

*Texas Tuition Promise Fund: [TexasTuitionPromiseFund.com](#) or option 5.  
Texas College Savings Plan: [TexasCollegeSavings.com](#) or option 3.*

*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 Plans and the Board do not provide legal, financial, or tax advice and participants in the Plans should consult a legal, financial, or tax advisor for specific guidance.*

### **The Texas Tuition Promise Fund**

*Participation in the Fund does not guarantee admission to or graduation from any college or university. Only the named purchaser may direct redemptions, withdrawals, changes in the designated beneficiary, or other contract changes. Purchasers should read the Plan Description and Master Agreement carefully before purchasing a contract.*

*You may lose money by participating in the Fund. No part of a contract is a deposit or obligation of, or is guaranteed or insured by, the Board, the state of Texas, or any agency or agent thereof. The contracts have*

*not been registered with or approved by the SEC or any state. Purchasers should carefully consider the risks, fees, charges, and expenses associated with contracts, including Fund termination and reduced Transfer or Refund Value. Transfer Value applies to redemptions at private colleges and universities, out-of-state colleges and universities, medical and dental schools, career schools, and registered apprenticeship programs and is the lesser of: (1) the costs the units would cover at a Texas public college or university; or (2) the original purchase price of the units plus or minus net investment earnings or losses on that amount. Match the Promise Foundation<sup>SM</sup> scholarships can only be used at Texas public colleges and universities, and Transfer Value cannot be utilized.*

### **The Texas College Savings Plan**

*Estimated total annual asset-based fees are available at [TexasCollegeSavings.com](#) and are published in the Plan Description and Savings Trust Agreement, which is reviewed annually. Fees are subject to change. Investors should read all plan documents carefully before investing.*

*An account could lose money including the principal invested. No part of an account is a deposit or obligation of, or is guaranteed or insured by, the Board, the state of Texas, or any agency or agent thereof. Interests in the Savings Plan have not been registered with or approved by the SEC or any state. Investors should carefully consider the investment objectives, risks, fees, charges, and expenses associated with municipal fund securities. The Board may suspend, modify, or terminate the Savings Plan or change investment approaches, offerings, and/or underlying investment funds at any time and without the consent of account owners or beneficiaries.*

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