



STARTing LINE

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Myths about 529 college savings plans

During this time of financial crisis and confusion, many myths have spread about 529 college saving plans, such as the START Saving Plan. Many people simply do not know the facts and may believe some of these myths.

In an effort to clear the air and encourage more people to invest in 529 plans, the College Savings Plans Network, a non-profit organization which advocates for 529 plans, has issued a list of common misunderstandings consumers may have.

MYTH: 529 plans are only for wealthy investors.

FACT: 529 plans have much lower required minimum contribution amounts than many other investments, making them accessible and convenient for families of any income level. The START Saving Plan can be opened with a deposit of only \$10 and there is no minimum monthly deposit required. Owners may deposit as much or as little as they wish, whenever they wish. There are also several different ways to make deposits. START accepts cash, checks, automated bank drafts and drafts directly from paychecks.

MYTH: I can just take out loans to pay for college, or my child will get financial aid.

FACT: Approximately 60 percent of federal financial aid comes in the form of student loans, and all loans represent debt that a family must incur. Any savings, even in small increments, that a family can put away will offset the final amount of debt it must take on to pay for college.

MYTH: 529 plans are only for young children.

FACT: There is no maximum age for a 529 plan. In Louisiana, the only requirement is that the owner or beneficiary be a state resident at the time of the account's opening. Adults who wish to start an account to pay for additional education are free to do so -- in no way is a START ac-

count limited to only children or teenagers. Assets may be used at eligible schools offering adult career training or advanced degrees, including part-time programs.

MYTH: If I save now, my child won't be eligible to receive as much financial aid later.

FACT: The Deficit Reduction Act of 2005 specifies that funds saved in 529 plans are generally considered to be parental assets, which means that only about six percent of these assets are currently counted towards the family's expected contribution in federal need-based financial aid calculations.

MYTH: A 529 plan can only be used at schools in my home state.

FACT: Assets from 529 plans may be used at any school that is accredited and eligible to accept federal financial aid. This includes nearly all public and private colleges in the United States and many trade and technical schools as well. It even includes some colleges located outside of the US.

MYTH: The tax advantages of 529 plans will expire.

FACT: The Pension Protection Act of 2006 repealed the 2010 sunset of the federal tax exemption for Section 529 plans and ensured that money saved for higher education in 529 plans can continue to be used tax-free to help pay for college. In Louisiana, account owners receive a state tax credit of \$2,400 if they file singly or \$4,800 if filing jointly on each START account.

MYTH: A 529 plan can only be used for a four-year college.

FACT: Assets from 529 plans may be used at any eligible school, including two- and four-year colleges, graduate

schools and vocational and technical schools. Funds may be used for tuition, fees, certain room and board costs, and in 2010, computers and course-related software.

MYTH: If my child doesn't go to college, I will lose my money.

FACT: A 529 account holder can change the plan's beneficiary to another eligible "member of the family," such as siblings or even oneself with no tax penalty.

MYTH: Opening a 529 plan is complicated.

FACT: Most 529 plans allow account holders to open an account online, and a wealth of information is available online for families seeking more information. The START Saving Plan Web site is <http://www.startsaving.la.gov>. Accounts may be opened online or may be downloaded

and mailed in.

Additionally, START provides a state match of up to 14% of deposits each year with Earnings Enhancements, depending on account owner's income.

For more information, contact 800-259-5626, ext. 1012. Applications may be mailed to:

Louisiana START Saving Program
P.O. Box 91271
Baton Rouge, LA 70821-9271

START Program changes

At its June meeting, the Executive Committee of the Louisiana Tuition Trust Authority (LATTA) approved two emergency changes to the START Saving Program and started the rulemaking process to make these changes permanent.

The committee elected to extend the time an account owner has to make the initial deposit to an account from 60 days to 180 days. Prior to this change, if an account owner did not deposit at least \$10 within 60 days, the account was closed. LATTA members wanted to extend the initial deposit deadline in order to give owners sufficient time to effect payroll deductions, automatic debits and more time to transfer funds from other sources such as another state's 529 plan, Coverdell Education Savings Account, etc. Accounts with no deposits will now be closed after 180 days.

LATTA also extended the deadline for account owners to provide prior year tax information, from December 31 to February 15.

START rules require account owners, whose tax information is not available from the Louisiana Department of Revenue, to provide tax documents that provide income information necessary for proper allocation of earnings enhancements. Earning enhancements, the state's match for annual deposits, are paid yearly, based on the account owner's federal adjusted gross income for the year preceding the year for which the deposits are made. The December deadline was causing some account owners to miss out on the level of earnings enhancements they could have received.

The new February deadline is designed to allow account owners more time to provide tax information.

The emergency rules and the notices of intent for rulemaking can be found at www.osfa.la.gov under the Information Center. Click the Frequently Requested Information link, then the Programs Rules and Notices of Intent. From there, choose the START Program Rules Section.

If you have a comment, please email rules@osfa.la.gov or send a letter to:

Melanie Amrhein, Executive Director
Louisiana Office of Student Financial Assistance Director
P.O. Box 91202
Baton Rouge, LA 70821-9202

START funds not subject to seizure

A bill is being considered by the Louisiana Legislature that makes clear that money in START accounts are not subject to attachment, levy, garnishment or legal process in favor of any creditor or claimant.

The bill, sponsored by Sen. Rob Marianneaux (D - Livonia), has passed the Senate and is now being considered by the House.



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For more information, contact the
START Saving Program:

By Phone: 800-259-5626, Ext. 1012

By E-mail: start@startsaving.la.gov

By Mail: P.O. Box 91271, Baton Rouge, LA 70821-9271

Web Address: www.startsaving.la.gov

For submissions, opinions or comments for STARTing Line, please
contact David Roberts at droberts@osfa.la.gov.