Bright Start Planner ▸ Third Quarter 2018

brightstart
529 College Savings

Welcome to this edition of the Bright Start Planner, featuring college investing best practices, withdrawal information, and more.

CHECKLIST: How to End 2018 with Bright Start

There are a number of important to-dos to take care of with your Bright Start account before 2018 is in the books. With the holidays in November and December, it's easy to forget these items until the last few days of the year. Check off your to-do's on the list below:

☑ Contribute

Add money to your Bright Start account before the end of the year to take advantage of your Illinois state income tax deduction. Account owners can deduct up to $10,000 from their Illinois taxable income, or $20,000 if filing jointly.[1] Make contributions online by logging into your account at BrightStart.com.

☑ Roll Over to Illinois

Rolling over an out-of-state 529 plan into Bright Start is an easy process that can result in valuable tax benefits.
If you have an out-of-state account, be sure to get started by the end of November to ensure there's time for the out-of-state 529 plan to process the forms by the end of the year. Your rollover can take several weeks, so it's best not to wait until December. The contribution portion for your out-of-state plan (not the earnings portion) is eligible for the Illinois income tax deduction.[1,2] Make sure your rollover check is postmarked to Bright Start by 12/31/18 — and remember, the IRS only allows one same beneficiary rollover once in a 12-month period.

☑ Withdraw

If you paid for qualified college expenses in 2018 and need a reimbursement, be sure to complete your reimbursement request before 12/31/18 for tax purposes. The withdrawal must be processed within the same calendar year the expense was incurred and paid.

Be sure to make withdrawals in a timely manner and keep track of all your receipts in the event you're ever audited by the IRS. Log into your account at BrightStart.com to request a withdrawal.

Remember, you can withdraw funds for the following college expenses:[3]

- TUITION & FEES
- ROOM & BOARD†
- BOOKS
- SUPPLIES
- A COMPUTER
- SPECIAL NEEDS EXPENSES

†If enrolled at least half time

Kids with college savings accounts are 3X more likely to go to college

Small-Dollar Children's Savings Accounts, Income, and College Outcomes. (2013). *Center for Social Development.*

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529 Quick Tips

- A monthly contribution is a simple way to help your Bright Start account build for the future. And any extra money around the holidays makes for a great end-of-year addition.
- Recently paid off a loan? Redirect that monthly payment to your Bright Start account.
- Make sure to take advantage of the generous Illinois state income tax deduction. A $10,000 contribution in 2018 at a 4.95% Illinois state income tax rate creates $495 in tax savings.

Put College Savings on Your Child's Holiday Gift List

Invite family members and friends to contribute to your student's Bright Start account using our GiftED program this holiday season. Once a gift is made, contributors can order or print a free holiday card to let your beneficiary know about their extra college savings boost.

Find out more at BrightStart.com

Keep Up with Bright Start

Be the first to see important plan updates, webinar announcements, and much more by following Bright Start on Facebook and Twitter.

The Bright Start Direct-Sold College Savings Program is part of the Illinois College Savings Pool and is designed to qualify as a qualified tuition program under the provisions of Section 529 of the Internal Revenue Code. The Bright Start Direct-Sold College Savings Program is sponsored by the State of Illinois and administered by the Illinois State Treasurer, as Trustee. Investments in the Bright Start Direct-Sold College Savings Program are not guaranteed or insured by the State of Illinois, the Illinois State Treasurer, the Program Manager, the Federal Deposit Insurance Corporation, or any other entity.

An investor should consider the investment objectives, risks, and charges and expenses before investing. This and other important information is contained in the Bright Start Direct-Sold College Savings Program Disclosure Statement, which can be obtained at BrightStart.com and should be read carefully before investing. You can lose money by investing in a portfolio. Each of the portfolios involves investment risks, which are described in the Program Disclosure Statement.

Before you invest, consider whether your or the beneficiary's home state offers any state tax or other benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in that state's 529 plan.

[1]An individual who files an individual Illinois state income tax return will be able to deduct up to $10,000 per tax year (up to $20,000 for married taxpayers filing a joint Illinois state income tax return) for their total, combined contributions to the Bright Start Direct-Sold College Savings Program, the Bright Directions Advisor-Guided 529 College Savings Program, and College Illinois during that tax year. The $10,000 (individual) and $20,000 (joint) limit on deductions will apply to total contributions made without regard to whether the contributions are made to a single account or more than one account. The amount of any deduction previously taken for Illinois income tax purposes is added back to Illinois taxable income in the event an Account Owner takes a Nonqualified Withdrawal from an Account or if such assets are rolled over to a non-Illinois 529 plan. If Illinois tax rates have increased since the original contribution, the additional tax liability may exceed the tax savings from the deduction.

[2]The Illinois Administrative Code provides that in the case of a rollover from a non-Illinois qualified tuition program, the amount of the rollover that is treated as a return of the original contribution to the prior qualified tuition program (but not the earnings portion of the rollover) is eligible for the deduction for Illinois individual income tax purposes.

[3]Withdrawals used to pay for qualified higher education expenses are free from federal and Illinois state income tax. Qualified higher education expenses include tuition, fees, books, supplies, and equipment required for enrollment or attendance; certain room and board expenses incurred by students who are enrolled at least half-time; the purchase of computer or peripheral equipment, computer software, or Internet access and related services, if used primarily by the beneficiary during any of the years the beneficiary is enrolled at an eligible educational institution; and certain expenses for special needs services needed by a special needs beneficiary.

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