Bright Start Planner ‣ Fourth Quarter 2018

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

Three College Savings Questions For This Tax Season

HOW MUCH DID YOU CONTRIBUTE TO YOUR CHILD'S 529 IN 2018?

Any contributions made to Bright Start in 2018 are deductible on Illinois state income taxes up to $10,000 ($20,000 if filing jointly).[1] The principal portion of a rollover from an out-of-state plan is also eligible for the tax deduction.[2] Review the 2018 Schedule M (IL-1040) for filing and reporting instructions.

Contributions received in the mail in early January 2019 which had a 2018 postmark were invested in your account on the date received with a description of "Prior Year Contribution". Please review your transaction history at BrightStart.com for any "Prior Year Contributions" that can be included for 2018 tax deduction purposes.

DID YOU MAKE ANY WITHDRAWALS FOR QUALIFIED HIGHER EDUCATION EXPENSES?

If you withdrew money for tuition and fees, textbooks, a computer, or other qualified higher education expenses, you will receive IRS Form 1099-Q in January from Bright Start.[3] You'll need this when you prepare your 2018 tax return.

DID YOU GIFT ANY LARGE CONTRIBUTIONS TO A 529 THIS YEAR?

Large gifts are contributions over $15,000 — if you made one to a Bright Start account, you'll need to contact your tax professional about IRS Form 709.

Bright Start Receives a Second Gold Rating from Morningstar!

For the second year in a row, Bright Start has received a Gold medal from Morningstar — the highest rating given to 529 plans. In their review of the plan, Morningstar said:

> "Illinois' Bright Start Direct-Sold College Savings Program became a topnotch plan following a complete overhaul in July 2017."

Why You Should Consider Having Separate 529 Accounts For Your Children

If you're consolidating 529 plans to make contributing easy, you could be in for some additional paperwork when it's time for college. Funds from a single 529 account can only be withdrawn for one child at a time — which could leave one of your kids out of luck if they're in school at the same time as their sibling. If you want to withdraw funds for two kids at once from the same 529 account, you would have to change the beneficiary back and forth between child 1 to child 2. It is important to take funds out of a 529 account only for the named beneficiary.

Consider opening an account for each child, especially if they will be in college at the same time. This allows you to select different investments for each based on their age and other important factors.

The Perfect Gift For Birthdays and Graduations

Invite friends and family to contribute to a Bright Start account with GiftED. This convenient program lets anyone give a gift to your child's 529 account. Contributions are also eligible for the Illinois state income tax deduction. Learn more at BrightStart.com/Give-a-Gift.

Class is in Session

Be on the lookout for upcoming webinars about how to put funds away for college, how to withdraw for qualified higher education expenses, and more. Follow Bright Start on Facebook and Twitter to hear about them first.

Facebook.com/BrightStart529

@BrightStart529

Get a Jump on 2019 Savings

Early in the year is an ideal time to set more aside for college. Consider upping your monthly contribution, or adding part of a holiday gift or year-end bonus to your account.

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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