

# Bright Start Planner

► Fourth Quarter 2021



## Another Gold Rating From Morningstar

For the fifth straight year, Bright Start's 529 College Savings Plan has received the coveted, elite Gold rating from Morningstar. Here's what they had to say:

**"The thoughtful design and mix of strong active managers alongside core index funds make the plan a superb offering for investors."**

## Tax Filing Reminders

It's never too early to start prepping for tax day. Maximize your available tax savings by reviewing the following, as applicable.



### Schedule M (IL-1040)

Review the 2021 Schedule M (IL-1040) for filing and reporting instructions to deduct 2021 contributions from your Illinois taxable income. Log in to your account at [BrightStart.com](https://BrightStart.com) to see all the contributions you made this year.

### Contributions by Account Owner

Individuals who file an Illinois state income tax return are eligible to deduct contributions they made to Bright Start up to:

- \$10,000 per tax year
- \$20,000 if married filing a joint return<sup>1</sup>

### Contributions by Others (Non-Account Owners)

If you made a gift contribution to a Bright Start account that you do not own, be sure to include the **account number**, **contribution amount**, and check the box in **column c: gift** on Schedule M (IL-1040). If you do not have the account number for a gift contribution, attach a copy of the canceled check and the name and address of the Bright Start account owner.

### Rollover Contributions into Bright Start

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 constituted investment in the prior qualified tuition program for federal income tax purposes (but not the earnings portion of the rollover) is eligible for the deduction for Illinois individual income tax purposes, subject to the deduction limits discussed above<sup>2</sup>. You should consult your tax or legal advisor about the availability of such deduction.

## Where can I find my 2021 Contributions?

1. Review your quarterly statements for 2021
  - a. Your 4th quarter 2021 statement has year-to-date contributions (reported on a cash basis)\*
2. Log in and review your 2021 transactions at [BrightStart.com](https://BrightStart.com)\*
3. Review your bank account from where the contributions came from
4. Log in to your account and click on Statement & Confirms to review your Contributions Summary (with your quarterly account statements).

**\*Important note** if you made a contribution in late December 2021 (and it was postmarked in 2021) but Bright Start did not receive it until January 2022, it will be coded as a "prior year" contribution and should be included by you as a 2021 contribution for Illinois tax deduction purposes. Likewise, if you contributed in late December 2020 and the contribution was not received until January 2021, it will also reflect on your quarterly statement as a "prior year" contribution and you should have included it as a 2020 contribution for Illinois tax deduction purposes.

### IRS Form 1099-Q

For qualified withdrawals<sup>3</sup>, whomever the check was payable to — whether it's the account owner or the beneficiary — will receive IRS Form 1099-Q in the mail (mailed by January 31). The beneficiary will also receive the 1099-Q for any checks written to the college. Be sure to review the proper tax reporting with your tax professional.

### IRS Form 709

Discuss any IRS Form 709 filing requests with your tax professional if you made a large gift of \$15,000, or more, to a beneficiary.

## 2021 Updates

There are some important changes you'll want to be aware of heading into tax day. Here's what's new:

- The maximum account balance has increased from \$450,000 to \$500,000
- The annual exclusion has increased from \$15,000 per donee to \$16,000

► **For more tax information, visit the Tax Center at [BrightStart.com/tax-center](https://BrightStart.com/tax-center). If you have questions, reach out to your tax professional for more information.**

## Saving vs. Borrowing

The more you save for college, the less your student has to borrow. Consider starting or increasing automatic contributions today.



**\$30,000**

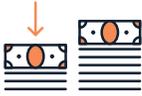
Average student debt in 2021

**Students who owe at least this much are:**



**36% less likely**

to purchase a car or house



**Settling for lower-paying jobs**

so they can start loan payments right away

In the long run, saving more now for college with your Bright Start account can be less expensive than borrowing. That means on graduation day, students can breathe a sigh of relief knowing a significant portion of their first paycheck isn't going to loans. And parents can have a sense of pride that their student is becoming more independent.

The Bright Start Direct-Sold College Savings Program is sponsored by the State of Illinois and administered by the Illinois State Treasurer, as Trustee. Union Bank & Trust Company serves as Program Manager. Balances in your Bright Start account are not guaranteed or insured by Bright Start, the State of Illinois, the Illinois State Treasurer, any other state or federal agency, Union Bank & Trust Company or any of its affiliates, the Federal Deposit Insurance Corporation (except as provided in the Program Disclosure Statement solely with respect to the FDIC-insured bank deposit account Underlying Investment), 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](http://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 state benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in that state's 529 plan.

<sup>1</sup>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.

<sup>2</sup>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.

<sup>3</sup>Withdrawals used to pay for Illinois Qualified Expenses are free from federal and Illinois state income tax. Illinois Qualified 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; certain expenses for special needs services needed by a special needs beneficiary; apprenticeship program expenses; and, repayment of up to \$10,000 of qualified education loans.

Illinois Qualified Expenses do not include expenses for tuition in connection with the beneficiary's enrollment or attendance at an elementary or secondary public, private, or religious school. The amount of any deduction previously taken for Illinois income tax purposes is subject to recapture in the event an Account Owner takes a Nonqualified Withdrawal or Illinois Nonqualified Withdrawal from an Account or if such assets are rolled over to a non-Illinois 529 plan.

\*The Morningstar Analyst Rating™ is not a credit or risk rating. It is a subjective evaluation performed by Morningstar's manager research group, which consists of various Morningstar, Inc. subsidiaries ("Manager Research Group"). In the United States, that subsidiary of Morningstar Research Services LLC, which is registered with and governed by the U.S. Securities and Exchange Commission. The Manager Research Group evaluates each plan's investment options within the context of their objectives and peer groups, with emphasis placed on the options with the most assets. Plans are evaluated based on four key pillars, including process, people, parent, and price. The Manager Research Group uses this four pillar evaluation to determine which plans they believe are likely to adhere to industry best practices and feature investment options that are likely to collectively outperform relevant peers on a risk-adjusted basis over the long term. They consider quantitative and qualitative factors in their research, and the weight of each pillar is as follows: 30% for Process, People, and Parent, and 10% for Price. The Morningstar Analyst Rating scale is Gold, Silver, Bronze, Neutral, and Negative. Plans that receive Morningstar Analyst Ratings of Gold, Silver, or Bronze for the most part follow industry best practices, offering some combination of the following attractive features: a strong set of underlying investments, a solid manager selection process, a well-researched asset-allocation approach, an appropriate set of investment options to meet investor needs, low fees, and strong oversight from the state and program manager. State income tax benefits vary widely from state to state, and some states have no state tax benefit for investing in a 529 plan. Given the variability of state tax benefits for investors based on personal considerations such as residency, income level, size and frequency of contributions, and other factors, we do not treat tax benefits as a predictor of performance, and therefore it is not included in our ratings assessment. Morningstar Analyst Ratings are continuously monitored and reevaluated annually. For more detailed information about Morningstar's Analyst Rating for 529 College-Savings Plans, including its methodology, please go to [https://www.morningstar.com/content/dam/marketing/shared/pdfs/Research/Morningstar\\_Analyst\\_Rating\\_Methodology\\_071020.pdf](https://www.morningstar.com/content/dam/marketing/shared/pdfs/Research/Morningstar_Analyst_Rating_Methodology_071020.pdf).

The Morningstar Analyst Rating (i) should not be used as the sole basis in evaluating a plan, (ii) involve unknown risks and uncertainties which may cause analyst expectations not to occur or to differ significantly from what they expected, and (iii) should not be considered an offer or solicitation to buy or sell a 529 college-savings plan or its underlying investment options.

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## 5 New Year's Resolutions for Your 529

- 1 The new year is a perfect time to start an automatic investment plan or to increase your current one. Contributing regularly is a great way to keep your savings growing.
- 2 Reassess your savings goals. Focused, well-defined goals are more likely to be achieved.
- 3 Invite family and friends to invest in your child's Bright Start account with GiffED.
- 4 Evaluate your investment strategy, and how often/how much you contribute.
- 5 Give back. If you have friends or family with a 529 account, make a contribution of your own when a birthday or graduation comes around.