529 PLANS & ABLE PROGRAMS

529 PLANS: EXPANDING ACCESS AND AFFORDABILITY

529 college savings plans encourage saving for education, assist American families in coping with the rising cost of education, and help prevent student loan debt for the nation's graduates of public, private, community, technical, and vocational schools. With 13.6 million open accounts and an average account size over $24,000[1], 529 accounts are the most important college savings tool for families.

Research shows that children with a college savings account in their name are six to seven times more likely to attend a four-year college, compared with similar children with no dedicated account.[2] Much of the rapid growth of 529 plans has been fueled by consistent state advocacy and outreach that is particularly targeted to lower- and middle-class families to help improve college access and affordability and promote a better-educated workforce.

Congressional support of 529 plans and efforts to enhance the 529 program has greatly benefited account holders saving for and paying for secondary education. However, the program would benefit from additional changes to address the current treatment of 529 savings accounts in the federal financial aid methodology, which the overwhelming majority of plan administrators cite as the top regulatory obstacle to American families utilizing 529 plans.

In 2019, NAST encourages Congress to reauthorize the Higher Education Act (HEA), to include changes to the current federal financial aid methodology related to the treatment of Section 529 qualified tuition plans.

Specifically, NAST supports including language in the upcoming HEA reauthorization that would:

1. Exempt the value of all assets in all 529 accounts held for the benefit of a student from counting as parental assets in determining a family's expected contribution; and
2. Exempt the value of all 529 plan distributions, including any from accounts held by grandparents or noncustodial parents, from counting as income to the student on the following year's FAFSA when the distributions are used towards eligible expenses.

THE ABLE ACT: PROVIDING OPPORTUNITIES FOR INDIVIDUALS WITH DISABILITIES

Achieving a Better Life Experience (ABLE) accounts allow individuals with disabilities and their families to establish tax-advantaged savings and investments. ABLE accounts ease financial strains by making withdrawals tax-free when used to cover qualified disability expenses such as medical and dental care, education, housing, and transportation. Since the passage of the ABLE Act in December 2014, more than three-quarters of all states have passed ABLE legislation and 41 states and DC have launched ABLE programs. Individuals are not tied to their state's plan, giving Americans the opportunity to consider different plans throughout the country.

While the 2017 tax reform package included provisions of the ABLE Financial Planning Act (allowing rollovers from 529 college savings accounts to ABLE accounts and making ABLE contributions eligible for the federal Savers' Credit) and the ABLE to Work Act (allowing individuals with disabilities with earned income to make increased ABLE contributions), the ABLE Act would benefit from additional enhancements. These additional changes would have minimal or insignificant cost to the federal government, but would greatly benefit those with ABLE accounts.

NAST encourages Congress to enact legislation to eliminate obstacles to opening and saving in ABLE accounts and to increase the breadth and reach of ABLE accounts, such as:

1. Increasing the age for eligible account holders from 26 to 46 (The ABLE Age Adjustment Act);
2. Allowing multiple accounts for the benefit of the same beneficiary;
3. Increasing or eliminating the annual contribution limit;
4. Allowing lump sum contributions (up to the maximum contribution amount) in certain circumstances; and
5. Allowing greater flexibility in ABLE accounts for beneficiaries with a spouse.

1. According to CPSN data as of June 2018

2. The Role of Savings and Wealth in Reducing 'Wilt' between Expectations and College Attendance. Subsequently published as: Elliott, W. and Beverly, S. (2011). The role of savings and wealth in reducing 'wilt' between expectations and college attendance. Journal of Children & Poverty, 17(2), 165-185. William Elliott III University of Pittsburgh, School of Social Work Sondra Beverly, Center for Social Development. 2010

NATIONAL ASSOCIATION OF STATE TREASURERS

ABOUT THE NATIONAL ASSOCIATION OF STATE TREASURERS

The National Association of State Treasurers (NAST), through its members and their expertise, is the nation's foremost non-partisan authority for responsible state treasury programs and related financial practices, policies, and education. NAST members are the State Treasurers, or equivalent chief financial officer, of all states, the District of Columbia, and the territories. The private sector is represented through the Corporate Affiliate Program where over 100 large, medium, and small firms help foster cooperation between the public and private financial sectors.

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NAST NETWORKS

College Savings Plans Network

The College Savings Plans Network (CSPN) is a network of officials who administer Section 529 qualified tuition programs and are dedicated to enhancing the communication, cooperation, and effective administration of the plans. The Network also seeks to influence the setting of national policy affecting 529 plans and those saving for education, and to ensure that the plans remain the leading choice for families to save for education.

National Association of Unclaimed Property Administrators (NAUPA)

Formed in 1962, NAUPA is the foremost authority on unclaimed property and the affirmed leader of the coalition of states, administrators, and holders working together to reunite rightful owners with their property. The purpose of the association is to promote and strengthen unclaimed property administration and interstate cooperation in order to enhance states' return of unclaimed property to rightful owners and provide a forum for the open exchange of information and ideas.

State Debt Management Network (SDMN)

The State Debt Management Network represents state officials involved in the issuance, management, and oversight of public debt. SDMN provides assistance, shares information, promotes professional relationships, and provides educational development opportunities to its members.

CONTACT

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