SAVING FOR THE FUTURE WITH INDIANA529

Indiana Commission for Higher Education & Indiana529

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INDIANA COMMISSION for HIGHER EDUCATION

EDUCATION AS AN INVESTMENT

INDIANA COMMISSION for HIGHER EDUCATION

COST VS. INVESTMENT

- **Cost** is an expense incurred to meet an immediate need
  - Example:
    - Purchasing groceries for a week of meals to be prepared at home

COST VS. INVESTMENT

- **An Investment** is an expense incurred to meet an anticipated, future need based on a goal
    - **Long-Term Goal:** be healthy
    - **Short-Term Goal:** eat more meals at home

COST VS. INVESTMENT

- **An Investment** is an expense incurred to meet an anticipated, future need based on a goal
  - Based on the short- and long-term goal, the investments could include:
    - Purchasing an Air Fryer ® to make it easy to prepare meals at home
    - Taking time to meal plan and create recipes
    - Learn how to like broccoli

COST VS. INVESTMENT

- Education beyond high school includes both **costs** and **investments**
  - Costs include tuition payments to register for classes, purchasing books for classes, paying to take the ACT/SAT in order to apply to schools

COST VS. INVESTMENT

- Education beyond high school includes both **costs** and **investments**
  - Investment **goals** will vary by student but may include having a good job, living longer, being financially independent, etc.

ECONOMIC METRICS by Education Level

EDUCATION LEVEL	INDIANA UNEMPLOYMENT RATE (Feb. 2024 – Jan. 2025)	INDIANA LABOR PARTICIPATION RATE (Feb. 2024 – Jan. 2025)	MEDIAN EARNINGS (U.S.) (AGES 25+) (2023)	AVERAGE NET WORTH (U.S.) (2022)
LESS THAN A HIGH SCHOOL DIPLOMA	**9.3%**	**46.6%**	**$37,510**	**$175,627**
HIGH SCHOOL DIPLOMA	**3.9%**	**57.0%**	**$48,810**	**$413,275**
SOME COLLEGE OR ASSOCIATE DEGREE	**3.7%**	**67.9%**	**$57,618**	**$540,873**
BACHELOR'S DEGREE + UP	**1.9%**	**73.1%**	**$89,410**	**$1,992,935**

SOCIAL METRICS by Education Level

EDUCATION LEVEL	WORKING-AGE ADULTS USING SNAP (U.S.) (2022)	WORKING-AGE ADULTS USING MEDICAID/CHIP (U.S.) (2022)	INFANT MORTALITY (PER 1,000 BIRTHS) (U.S.) (2022)	LIFE EXPECTANCY (U.S.) (1987-2014)
LESS THAN A HIGH SCHOOL DIPLOMA	**23%**	**41%**	**10.0**	**65 YEARS**
HIGH SCHOOL DIPLOMA	**14%**	**28%**	**9.7**	**71 YEARS**
SOME COLLEGE OR ASSOCIATE DEGREE	**11%**	**22%**	**6.3**	**74 TEARS**
BACHELOR’S DEGREE + UP	**3%**	**7%**	**3.8**	**79 YEARS**

COST VS. INVESTMENT

- Education beyond high school includes both **costs** and **investments**
  - Time investments include going to class, completing assignments/reading outside of class, going to tutors, etc.
  - Financial investments
    - After high school, may include taking out student loans
    - While student in K12, includes saving for college

EDUCATION AS AN INVESTMENT: 529 PLANS

Indiana529

Direct Savings Plan

Big plans start with a simple choice: Indiana529

The Indiana529 Savings Plans

Sponsored by:

State of Indiana

Indiana Education Savings Authority

Chaired by Treasurer of State Daniel Elliott

In partnership with:

Ascensus Government Savings

Saving now can help ease post-education debt

The cost of college is rising—saving any amount ahead of time can potentially reduce or eliminate the need for costly student loans.

The value of saving now

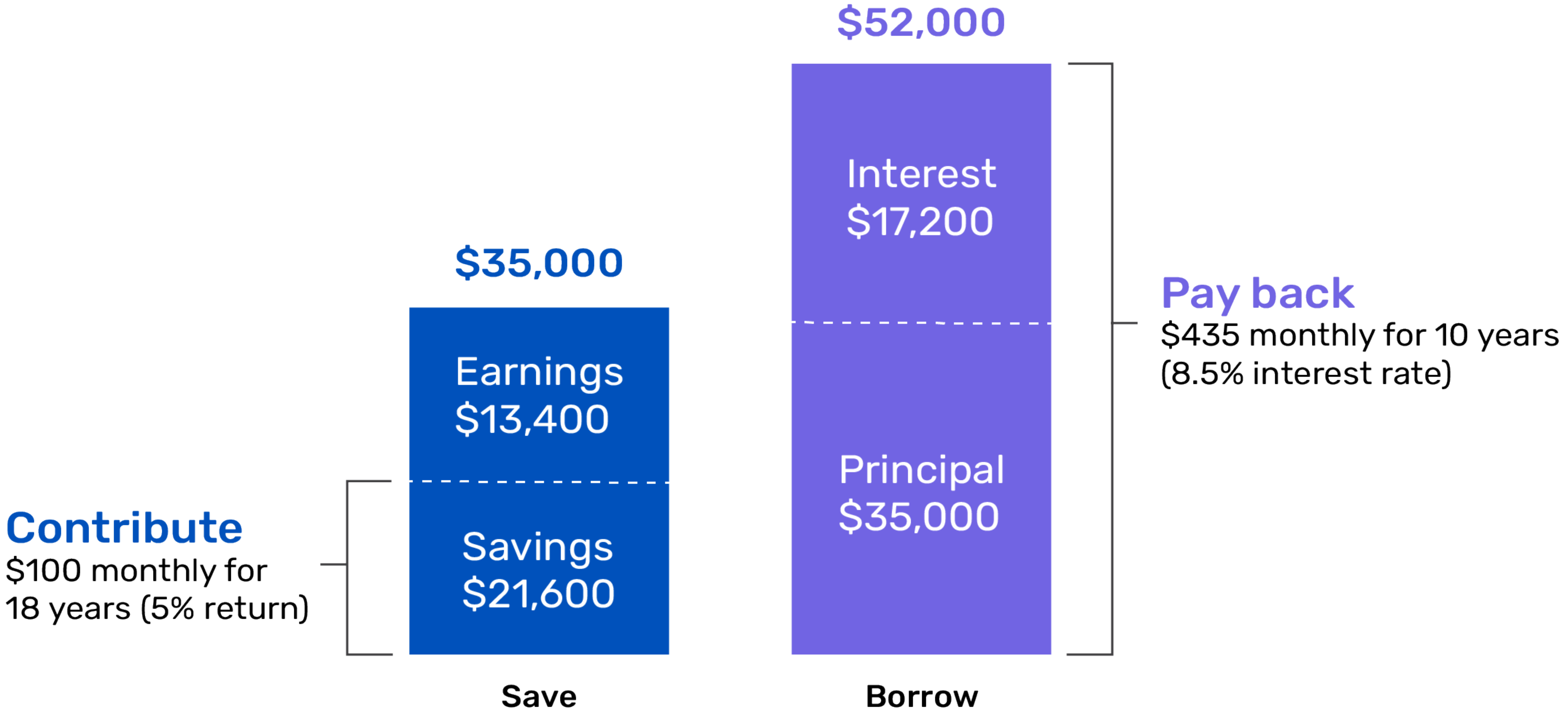
Emma's parents start investing $100/month into a 529 plan account when she's born.

- In 18 years (assuming 5% annual rate of return), they could **potentially save more than $35,000.***

The cost of borrowing later

Emma (or her parents) borrow $35,000 to pay for education.

- Based on a private student loan interest rate of 8.5%, they could be faced with **monthly payments of $435 for 10 years (or $52,200).**



*A plan of regular investment cannot assure a profit or protect against a loss in a declining market.

529 Benefits Overview:

Tax-deferred growth

- You **pay no federal or state taxes on your earnings** while the money remains in your account. Earnings grow tax-deferred until withdrawn.
- Your returns can potentially earn even more returns—that's the **power of compounding**!

Tax-free withdrawals for qualified higher education expenses[1]

- **Use the money** for tuition, fees, certain room and board costs, books, computers & required supplies and equipment.
- **Any qualifying post-secondary institution**, including 2- and 4-year, public, private colleges or universities, vocational/technical schools, graduate programs, and eligible apprenticeships.[2]

[1]Earnings on nonqualified withdrawals are subject to federal income tax and may be subject to a 10% federal penalty tax, as well as state and local income taxes. The availability of tax or other benefits may be contingent on meeting other requirements. See the Disclosure Booklet for more details on qualified expenses.
[2]The apprenticeship program must be registered and certified with the Secretary of Labor under the National Apprenticeship Act.

Account owners

- Can be any U.S. citizen or resident alien[1]
- Usually a parent, grandparent, other family member or friend
- Not subject to income eligibility requirements
- Can own multiple accounts

Beneficiaries

- Can be any U.S. citizen or resident alien[2]
- Usually a child or grandchild, but can be anyone, including yourself or spouse
- Not subject to income eligibility requirements
- Can be the beneficiary of multiple accounts

The **account owner retains control** of how and when the money is used.

[1]Must be 18 or older, have a Social Security number or Tax Identification number, and a U.S. address that is not a P.O. Box.
[2]Must have a Social Security number or Tax Identification number, and a U.S. address that is not a P.O. Box.

Financial Aid Considerations:

The government considers funds deposited in a 529 account as the account holder's assets.

Parent Owned:

- Expected family contributions (EFC) is calculated at a maximum of 5.64%.
  - 529 account distributions aren't considered student income and, therefore, are not taxable.

Student Owned:

- The funds in the account would be treated as their own assets, and the EFC would be calculated at 20% of the account's value.

Grandparent or Relative Owned:

- Starting in in the 2024-25 academic year, 529 plans owned by friends, relatives, and grandparents were not be considered student assets. Withdrawals from these accounts will not count as student income.

We are NOT Financial Aid Experts

Taking A Distribution:

Only the Account Owner may take distributions from the account.

- Account Owner
- The Beneficiary
- An Eligible Educational Institution
  - Some Educational Institutions have set up electronic transfers
  - Mail a check to the bursar office

Options beyond tuition

Leave the money in the account until a later date

Make a **nonqualified withdrawal**[2]

Change the beneficiary to a member of the family[1]

Rollover to **Roth IRA**

[1]Please see plan Program Disclosure Booklet for definition of "member of family."
[2]Earnings on nonqualified withdrawals may be subject to federal income tax and a 10% federal penalty tax, as well as state and local income taxes. Tax and other benefits are contingent on meeting other requirements and certain withdrawals are subject to federal, state, and local taxes.
[3]Transfers are subject to annual Roth IRA contribution limits. No contributions or earnings on contributions from the last 5 years can be transferred. Direct trustee-to-trustee transfer required to Roth IRA FBO Beneficiary.

Indiana state tax credit

Special state benefits

- Contributions are eligible for a state income tax credit[1]
- 20%, **up to $1,500 credit** per year
- Maximum credit allowed for a married taxpayer filing separately is $750[2]
- Contributions must be postmarked, or electronically initiated by 11:59 p.m. ET, on December 31—and in good order to be counted automatically for that tax year
- Contributions can be made through tax filing day.

Only Indiana529 offers Indiana taxpayers an Indiana state tax credit.

[1]This credit may be subject to recapture from the account owner (not the contributor) in certain circumstances, such as a rollover to another state's qualified tuition program or a nonqualified withdrawal. Please note that, effective January 1, 2010, the Indiana state income tax credit will no longer apply to rollovers from another state's qualified tuition program or to transfers from the Upromise service into an Indiana529 account. All other contributions will continue to be eligible for the tax credit to the extent previously allowable.

[2]This credit may be subject to recapture from the account owner (not the contributor) in certain circumstances, such as a rollover to another state's 529 plan, a nonqualified withdrawal, or a withdrawal for K-12 tuition expenses at a school outside of Indiana. Please note that, effective January 1, 2010, the Indiana state income tax credit will no longer apply to rollovers from another state's qualified tuition program or to transfers from the Upromise service into an Indiana529 account. All other contributions will continue to be eligible for the tax credit to the extent previously allowable. Contributions to your Account are eligible for an Indiana income tax credit if you are an Indiana taxpayer (resident or non-resident) filing a single, joint or, effective January 1, 2020, married filing separately return. The tax credit works differently depending on the type of education expenses for which you use your Account.

Investments designed to help you meet your goals

Year of Enrollment Portfolios

- One-stop investing
- Make investing even simpler by selecting an investment option that automatically rebalances as your child nears college enrollment

Individual Portfolios

- Wide range of investments from respected firms:

AQR

Dimensional

J.P.Morgan Asset Management

NexBank™

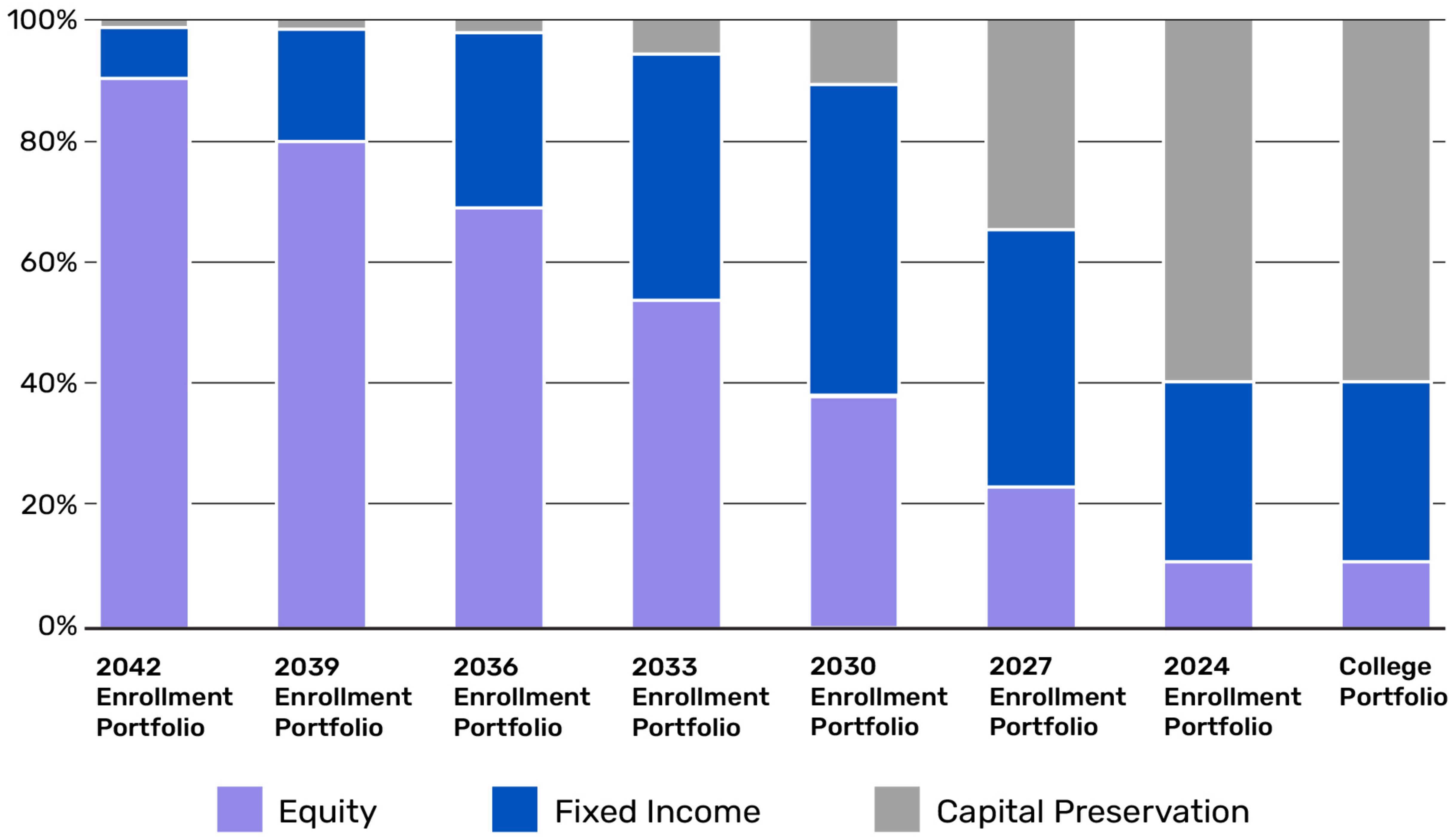
Scout Investments — An Affiliate of Carillon Tower Advisers

State Street Global Advisors

Vanguard®

Year of Enrollment Portfolios

Automatically become more conservative as the beneficiary approaches higher ed enrollment.



You could lose money by investing in a portfolio which includes the Vanguard Short-Term Reserves Account which in turn invests in the Vanguard Federal Money Market Fund as well as Funding Agreements and Synthetic Investment Contracts (SICs). Although the money market fund in which your investment option invests (the "underlying fund") seeks to preserve its value at $1.00 per share, the underlying fund cannot guarantee it will do so. An investment in this investment option is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The underlying fund's sponsor has no legal obligation to provide financial support to the underlying fund, and you should not expect that the sponsor will provide financial support to the underlying fund at any time.

The Year of Enrollment Portfolios' investment in the Stable Value Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

More ways to save with Ugift®

Give the gift of education savings

1. Get a unique Ugift code for each Indiana529 beneficiary and share via email, social media, or print
2. Suggest a 529 gift contribution to family and friends alongside or in place of a traditional gift
3. They send a contribution
4. Those gifts are invested in your account
5. If you are an Indiana resident you are able to claim the credit.

Ugift is a registered service mark of Ascensus Broker Dealer Services, LLC.

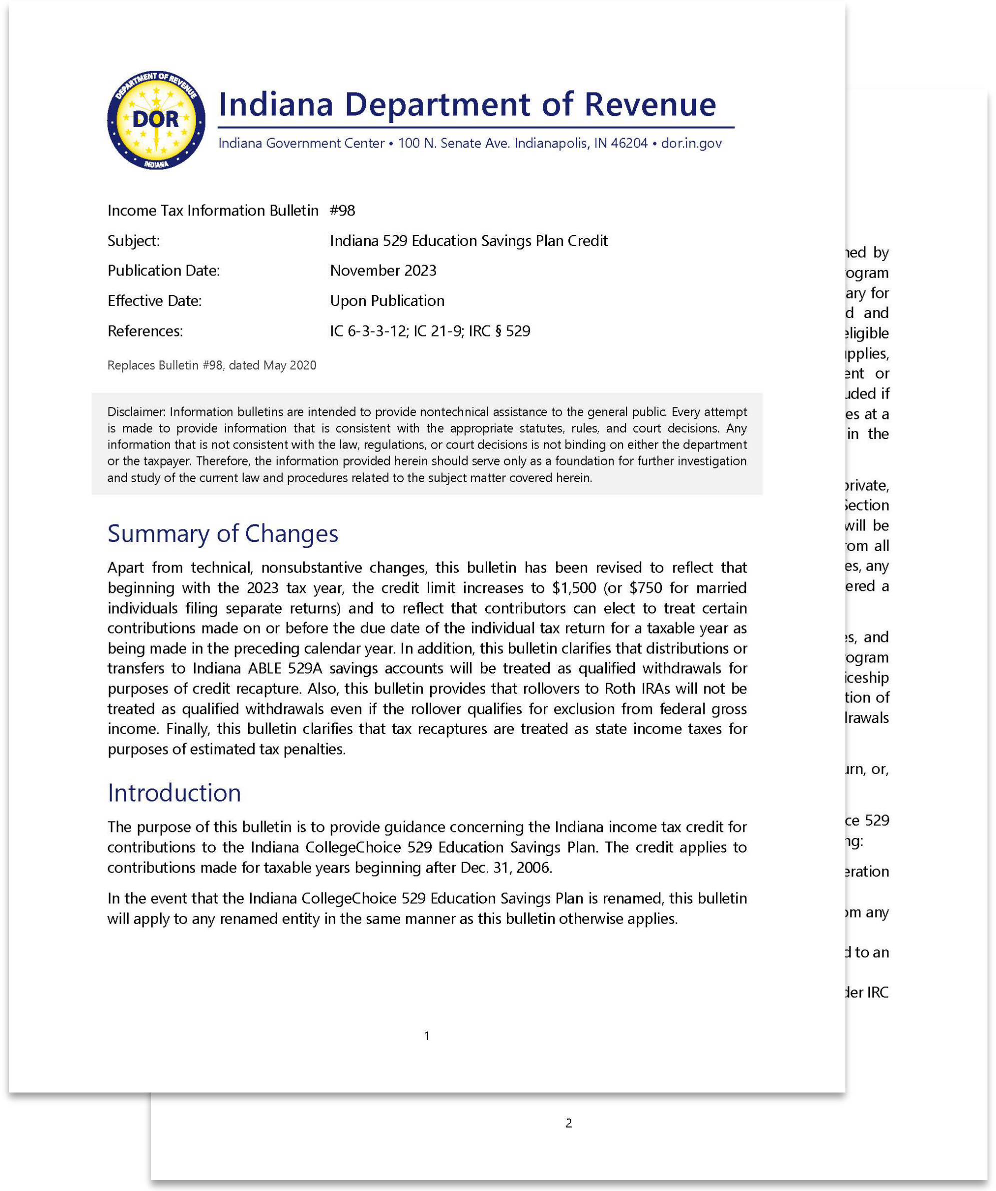
Additional resources

Indiana Department of Revenue

- Income Tax Information Bulletin #98

IRS Publication 970

- Tax Benefits for Education



Indiana Department of Revenue

Indiana Government Center • 100 N. Senate Ave. Indianapolis, IN 46204 • dor.in.gov

Income Tax Information Bulletin	#98
Subject:	Indiana 529 Education Savings Plan Credit
Publication Date:	November 2023
Effective Date:	Upon Publication
References:	IC 6-3-3-12; IC 21-9; IRC § 529

Replaces Bulletin #98, dated May 2020

Disclaimer: Information bulletins are intended to provide nontechnical assistance to the general public. Every attempt is made to provide information that is consistent with the appropriate statutes, rules, and court decisions. Any information that is not consistent with the law, regulations, or court decisions is not binding on either the department or the taxpayer. Therefore, the information provided herein should serve only as a foundation for further investigation and study of the current law and procedures related to the subject matter covered herein.

Summary of Changes

Apart from technical, nonsubstantive changes, this bulletin has been revised to reflect that beginning with the 2023 tax year, the credit limit increases to $1,500 (or $750 for married individuals filing separate returns) and to reflect that contributors can elect to treat certain contributions made on or before the due date of the individual tax return for a taxable year as being made in the preceding calendar year. In addition, this bulletin clarifies that distributions or transfers to Indiana ABLE 529A savings accounts will be treated as qualified withdrawals for purposes of credit recapture. Also, this bulletin provides that rollovers to Roth IRAs will not be treated as qualified withdrawals even if the rollover qualifies for exclusion from federal gross income. Finally, this bulletin clarifies that tax recaptures are treated as state income taxes for purposes of estimated tax penalties.

Introduction

The purpose of this bulletin is to provide guidance concerning the Indiana income tax credit for contributions to the Indiana CollegeChoice 529 Education Savings Plan. The credit applies to contributions made for taxable years beginning after Dec. 31, 2006.

In the event that the Indiana CollegeChoice 529 Education Savings Plan is renamed, this bulletin will apply to any renamed entity in the same manner as this bulletin otherwise applies.

1

2

An official website of the United States Government

IRS

Help | News | English | Charities & Nonprofits | Tax Pros

File Pay Refunds Credits & Deductions Forms & Instructions Search

Home / Forms and Instructions / About Publication 970, Tax Benefits for Education

About Publication 970, Tax Benefits for Education

Current Year
Prior Year
Accessible
eBooks
Browser Friendly
Mobile Friendly Forms
Post Release Changes to Forms
Order Forms and Pubs
Help with Forms and Instructions
Comment on Tax Forms and Publications

This publication explains tax benefits that may be available to you if you are saving for or paying education costs for yourself or, in many cases, another student who is a member of your immediate family. Most benefits apply only to higher education.

Current Revision

Publication 970 PDF (HTML | eBook EPUB)

Recent Developments

Revised 2021 Publication 970, Tax Benefits for Education -- 16-FEB-2022

Emergency Financial Aid Grants Under the CARES Act -- 23-APR-2021

Taxpayer Relief for Certain Tax-Related Deadlines Due To Coronavirus Pandemic -- 14-APR-2020

Other Items You May Find Useful

All Publication 970 Revisions

Low Income Taxpayer Clinic

About Publication 15-B, Employer's Tax Guide to Fringe Benefits

About Publication 54, Tax Guide for U.S. Citizens and Resident Aliens Abroad

About Publication 463, Travel, Entertainment, Gift, and Car Expenses

Other Current Products

Related Items

- About Form 1040, U.S. Individual Income Tax Return
- About Form 1040-A, U.S. Individual Income Tax Return
- About Form 1040-EZ, Income Tax Return for Single and Joint Filers With No Dependents
- About Form 1040-NR, U.S. Nonresident Alien Income Tax Return
- About Form 1040-NR-EZ, U.S. Income Tax Return for Certain Nonresident Aliens With No Dependents
- About Form 1098-E, Student Loan Interest Statement
- About Form 1098-T, Tuition Statement
- About Form 1099-Q, Payments from Qualified Education Programs (Under Sections 529 and 530)

Questions and answers

Important legal information

For more information about the Indiana529 Direct Savings Plan (Indiana 529), call 1-866-485-9415 or visit www.Indiana529direct.com to obtain a Disclosure Booklet, which includes investment objectives, risks, charges, expenses, and other important information; read and consider it carefully before investing.

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 qualified tuition program.

Indiana529 is administered by the Indiana Education Savings Authority (Authority). Ascensus Broker Dealer Services, LLC (ABD), the Program Manager, and its affiliates, have overall responsibility for the day-to-day operations, including investment advisory, recordkeeping and administrative services, and marketing. Indiana529's Portfolios invest in: (i) mutual funds; (ii) a stable value account held in trust by the Authority at Vanguard; and/or (iii) an FDIC-insured omnibus savings account held in trust by the Authority at NexBank. Except for the Savings Portfolio, investments in Indiana529 are not insured by the FDIC. Units of the Portfolios are municipal securities and the value of units will vary with market conditions.

Investment returns are not guaranteed, and you could lose money by investing in the plan. Account owners assume all investment risks, including the potential for loss of principal, as well as responsibility for any federal and state tax consequences.

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