



# 529 QUARTERLY

Third Quarter 2014

## Contribute Now for the Illinois Tax Deduction

It's hard to believe, but fall is in the air and the end of the year is quickly approaching! Don't miss out on the opportunity to take advantage of the generous Illinois State Income Tax Deduction that is offered for contributions to Bright Directions. Individuals can deduct up to \$10,000 and joint filers can deduct up to \$20,000 for contributions made before December 31st.

There are 2 easy ways to make a contribution to Bright Directions!

1. Log into your account at [BrightDirections.com](http://BrightDirections.com) to make an electronic contribution through our secure website. We will accept electronic contributions for 2014 through 11:59 PM on Wednesday, December 31st.
2. Send a check payable to "Bright Directions" to PO Box 82623, Lincoln, NE 68501. Envelopes postmarked in 2014 will be accepted as 2014 contributions.

Don't wait until the busy month of December to make your 2014 contribution. Make your 2014 contribution TODAY to ensure you are able to take advantage of the tax deduction offered by the state of Illinois!

## Rollovers from other 529 Plans

Do you have a 529 account in another state's plan? If so, consider rolling those dollars into Bright Directions. The IRS allows 1 rollover every 12 months between accounts for the same beneficiary. If you complete the rollover prior to December 31st, the state of Illinois allows you to take the State Income Tax Deduction for the contribution portion only of the rollover contribution (up to the \$10,000 individual or \$20,000 joint limits). The earnings portion of a rollover contribution is not deductible. This means that if there are earnings in your out-of-state 529 plan account, you will need to request a rollover amount that is more than \$10,000 or \$20,000 if you intend to take the maximum Illinois State Income Tax Deduction. You will want to contact your financial professional for assistance in determining the appropriate amount to request. Be sure to initiate your rollover request as soon as possible. We recommend submitting a completed Rollover Form prior to December 1st to allow time for the rollover contribution to be received by Bright Directions prior to December 31st. Don't hesitate to contact us or your financial professional with any questions about initiating a rollover from another plan.

## Holiday Gift Contributions are easy with GiftED



With the holidays approaching, don't forget to add a contribution to your child's Bright Directions account to his/her holiday wish list! New toys are exciting now, but their newness wears off after a few months. If family members and friends want to give a gift that will make a tremendous impact on your child's life, encourage them to make a contribution to your Bright Directions account. Every \$10, \$25, \$50, or \$100 gift made now will help your child achieve their dreams of a college education in the future.

An easy way to motivate your loved ones to contribute to your Bright Directions account is to send them an email invitation from GiftED. Simply log in at [BrightDirections.com](http://BrightDirections.com) and select the "Gifting" link to get started. The recipient of the email invitation can use the link provided to make an electronic contribution directly to your account or mail a check to us. GiftED will track all of the gifts made to your account so you can see who made a contribution and acknowledge the gift.

Be sure to remind your family members and friends that they can take advantage of the Illinois State Income Tax Deduction for any gift contributions they make to your account (up to the \$10,000 individual or \$20,000 joint limits). They receive the benefit of a tax deduction AND help your child with future college costs – a Win-Win!

*Thank you for investing with Bright Directions!*



**Dan Rutherford**  
ILLINOIS STATE TREASURER

Trustee & Administrator

**UB UNION BANK**  
& TRUST COMPANY

Program Manager

**Northern Trust**  
Securities, Inc.

Distributor

## End of Year Gifting Reminder

If you plan to make a large gift to your Bright Directions account prior to year end, be sure to keep in mind the annual exclusion for Federal gift tax purposes is \$14,000 per person (\$28,000 for a married couple). It is our understanding that a contribution must clear the contributor's bank account prior to December 31, 2014 in order for the contribution to be considered a 2014 gift. Due to increased mail volume for the U.S. Postal Service in December, we recommend mailing a check prior to December 22nd to allow the check time to reach us and clear the bank account before the end of the year. To expedite the gift, you may also want to consider mailing a Cashier's Check or making an electronic contribution at [BrightDirections.com](http://BrightDirections.com).

If you would like to make a gift larger than the \$14,000 individual limit (up to \$28,000 for a married couple), there is a provision that allows you to make an "accelerated gift" of up to \$70,000 (up to \$140,000 for a married couple) and have the contribution be considered a gift for the current year as well as the next 4 years. In order to make the election to spread a gift more than \$14,000 or \$28,000 over the 5 year period, the contributor must file IRS Form 709 for the year of the contribution. Please discuss any large gifts with your tax and financial professionals.

## Expenses and Withdrawals

Do you need to request a withdrawal from your Bright Directions account for expenses you have incurred in 2014? If so, don't forget to request your withdrawal prior to December 31st. It is our understanding that you should match your expenses and withdrawals from your 529 account in the same calendar year for tax purposes. Similarly, many students will begin receiving invoices for tuition and fees for the second semester of the 2014-15 school year in December. If the tuition bill is due in January 2015, we recommend waiting until after January 1, 2015 to request a withdrawal from your 529 account to pay the expense.

## Program Updates

We have enclosed a copy of the current Investment Policy Statement for Bright Directions for your review and records. You can find an electronic version of the Investment Policy Statement on [BrightDirections.com](http://BrightDirections.com) under the "Investment Options" link.

The latest audited financial statements for the Bright Directions College Savings Program are available on our website [BrightDirections.com](http://BrightDirections.com). Select "FAQ's" at the top of our homepage and scroll down to the question "Where can I obtain a copy of the audited financial statements?" to view the documents for the last two years.

The Bright Directions 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 Directions 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, and Northern Trust Securities, Inc., acts as Distributor. Investments in the Bright Directions College Savings Program are not guaranteed or insured by the State of Illinois, the Illinois State Treasurer, Union Bank & Trust Company, Northern Trust Securities, Inc., the Federal Deposit Insurance Corporation, or any other entity.

<sup>1</sup>Individuals who file individual Illinois state income tax returns can deduct up to \$10,000 per tax year (\$20,000 if filing jointly) for their total, combined contributions to the Bright Directions College Savings Program, the Bright Start College Savings Program, and Collegellinois! 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 subject to recapture 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.

**Investors should read carefully and consider the investment objectives, risks, fees, and expenses contained in the Program Disclosure Statement (issuer's official statement) 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. The Program Disclosure Statement, which contains additional information about the plan and municipal fund securities, is available from your financial advisor.**

**You should consider, before investing, whether your home state or the designated beneficiary's home state offers any state tax deduction or other benefits that are only available for investments in such state's qualified tuition program. You should consult with a tax advisor about state and local taxes.**

Not FDIC Insured

May Lose Value

No Bank Guarantee

