



2015 | 2016 | 2017 | 2018*

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 Directions 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) and instructions for filing and reporting information.



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 BrightDirections.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 Directions.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 Directions account, you'll need to contact your tax professional about IRS Form 709.



Bright Directions Receives a Fourth Silver Rating from Morningstar!

For the fourth year in a row, Bright Directions has received a Silver medal from Morningstar — the highest rating given to advisor-sold 529 plans. Morningstar said:

"The plan offers well-constructed age-based portfolios for hands-off investors and an impressive selection for do-it-yourselfers."

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 Funds from a single 529 account can only be withdrawn for one child at a time — which could leave one of your kids out of luck if they're in school at the same time as their sibling.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 Directions 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 BrightDirections.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. Keep an eye out for webinar announcement emails and be sure to reserve your spot.

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 Directions Advisor-Guided 529 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 Advisor-Guided 529 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.

An investor should consider the investment objectives, risks, and charges and expenses before investing. This and other important information is contained in the Bright Directions Advisor-Guided 529 College Savings Program Disclosure Statement, which can be obtained from your financial professional or at BrightDirections.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.

¹An 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 Directions Advisor-Guided 529 College Savings Program, the Bright Start Direct-Sold 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.

²The 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.

³Withdrawals 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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