

529

Second Quarter 2020

Quarterly



Save Smarter: Withdrawals — What's Qualified and What's Not?

When it's time to start paying for college, it's important to know which expenses qualify for favorable tax treatment from your Bright Directions account. Many are costs required by the institution (like tuition, fees, and books)¹ while others are education-related but not paid to the school (like off-campus housing and a computer). For more information, visit BrightDirections.com or reach out to your financial advisor.

- ▶ Be on the lookout for our upcoming webinar: **The Do's and Don'ts of Spending Your 529 Savings**



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Investing in Today's Market

Beyond its impact on daily work and public events, COVID-19 has also contributed to significant market volatility. During times like these, it is important to remain calm. Market volatility understandably has some investors concerned, but be aware of the impact of timing the market. In positive and negative markets, asset allocation and diversification are key.

Individual investors cannot control the many influences on the market, especially how the market will react to events any day or week. Focus on factors you can control, especially short- and long-term needs, asset diversification, willingness to be open to opportunities, and risk tolerance.*

**Diversification does not assure a profit nor guarantees against loss in a declining market.*

Classes Cancelled? Avoid Taxes On Your Refunded Costs

If your student received a refund from their school due to class cancellations this year, they have the option to contribute it back into their Bright Directions account within 60 days of receiving it or by July 15, whichever date is later. Otherwise, those funds may be taxed. To do so, make a contribution to the account in their name and specify that it is a recontribution from an Eligible Educational Institution refund. Visit BrightDirections.com/Benefits/Use-of-Funds to learn more about refunds, important considerations, and timing.

Turn Tax Refunds into College Funds

Tax refunds can be a great financial boost, especially to your 529 college savings account. Contributing your refund to your Bright Directions account allows it to be invested so that it's not just a nice check today, but debt relief for your student down the road. Visit BrightDirections.com and log in to your account to make a contribution.



Starting a Conversation About Saving

Money isn't the most natural thing to bring up with your kids. It's not easily slipped into a bedtime story or their school curriculum, but studies show kids who know they have a 529 are three times more likely to go to college.²

Here are some tips for talking with your child about how you're saving:



Pre-K – 3rd Grade

Teach the concept of saving by explaining that the more you put away, the more your money adds up. Giving your child a clear piggy bank is a great way to illustrate this concept.



4th – 8th Grade

Demonstrate the power of saving by giving your child an allowance for chores and having them set a goal for something they'd like to save for and buy with their own money.



9th – 12th Grade

Opening a savings account for your student to manage once they get to high school grants them ownership of their money and teaches them the responsibility of spending versus saving. This becomes especially important as they get their first job and have personal expenses such as their first car.

Please note that effective July 21, 2020, Bright Directions has a new mailing address:

FOR OVERNIGHT AND COURIER DELIVERIES

Bright Directions 529
3606 South 48th Street
Lincoln, NE 68506

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.

¹Withdrawals 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.

²Small-Dollar Children's Savings Accounts, Income, and College Outcomes. (2013). Center for Social Development.

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