

529

First Quarter 2021 Quarterly



Save Smarter: Get on Top of Your Taxes

Tax season is upon us. Here are a few general reminders as you prepare to file this year:

1 Report contributions on the Illinois 1040 – Schedule M

Illinois taxpayers can deduct up to \$10,000 (\$20,000 for tax payers that are married filing jointly) of Bright Directions contributions from their taxable income¹. Review Schedule M to report any contributions you made to Bright Directions in 2020. Include contributions you made to Bright Directions and contributions made on your behalf by your employer. You may not subtract contributions made to a non-Illinois 529 plan.

If you rolled funds over from an out-of-state 529 plan into Bright Directions, the principal or basis portion of the rollover may be reported on Schedule M as a contribution (but not the income or earnings portion of the rollover).

2 Be Sure to Include Your Account Number

The Illinois Department of Revenue uses your account number to confirm your claimed contributions. Be sure to correctly list your Bright Directions account number on Schedule M.

3 Claim Your Contributions, Not those Made By Others

Do not include contributions to your Bright Directions account contributed or gifted to your account by others. If another individual made a gift contribution to your account they may be eligible to report it on their own Illinois tax return.

4 Form 1099-Q Reports Your Withdrawals

If you took money out of your 529 last year, you should've received this form from Bright Directions. If the withdrawal was payable to your beneficiary, or the college, the 1099-Q would've been sent to the beneficiary.

5 Gift Tax Return

If you made large gifts of \$15,000 or more to a beneficiary, you'll want to discuss any IRS Form 709 Gift Tax filing requirements with your tax professional.

Remember, taxes are due on **May 17** this year. Contact your advisor and tax professional for more information.



Bear or Bull, Focus Long Term

Investments with an extended lifetime, like a college savings account, are made for the long game. Funds that stay put have the potential to outlast short-term market ebbs and flows. Keeping a long-term mindset, and not panicking when the market dips, can pay off. Contact your financial advisor if you have questions or concerns regarding your investments.

Why Consistent Monthly Contributions Make a Difference

More time equals more potential for money to grow when it comes to investing. Dollars you save now can help to offset the price of rising college costs. In an effort to make consistent contributions over the years, look for times when your budget fluctuates to see if there is a surplus — these can turn into a one-time deposit or monthly contribution. For example, once your child is out of daycare, or once you've finished paying off a loan, keep your budget the same and reallocate those payments to your Bright Directions account.

Put Your Savings on a Schedule

Setting automatic contributions to your Bright Directions account takes the effort out of remembering to do it manually on a regular basis. If you are financially able, setting up monthly deposits gets more money into your account more often, and if you already have a monthly automatic investment plan, this is a great time to increase your savings amount.



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 state benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in that state's 529 plan.

There may be potential adverse tax consequences if the transfer or rollover is not a qualified rollover. Please review all factors with your tax and financial advisor.

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

*Morningstar analyzed and rated 61 plans nationwide. Bright Directions was one of only four advisor-sold plans to get Bronze, the highest rating currently achieved by any advisor-sold plan. Analyst ratings for 529 college savings plans consider: Process, People, Parent, and Price. Based on their conclusions, analysts will assign pillar scores. Morningstar analysts retain discretion to override scores if they believe a unique characteristic justifies a different rating than the score suggests. The Morningstar Analyst Rating™ is a subjective evaluation and is not a credit or risk rating. The Analyst Rating scale is Gold, Silver, Bronze, Neutral, and Negative. ©2020 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.