



The Office Of State Treasurer
Denise L. Nappier

News

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CHET RECOGNIZES 20 YEAR MILESTONE OF 529 COLLEGE SAVINGS PLANS

*ASSETS APPROACHING \$3 BILLION;
MORE THAN \$1 BILLION SPENT FOR HIGHER EDUCATION*

HARTFORD, CT – On the 20th anniversary of the U.S. Congress authorizing 529 college savings plans to help families finance college education, assets in the Connecticut Higher Education Trust (CHET) have grown, on average, 33 percent per year to nearly \$3 billion. And more than 38,000 students have used \$1.3 billion to pay for higher education through CHET.

“There is no doubt that Connecticut families face challenges as students are confronted with exorbitant debt to pay for the rising cost of higher education,” said State Treasurer Denise L. Nappier, Trustee for CHET. “Our goal at CHET is to provide families with a user-friendly, tax-friendly college savings plan that helps families contribute early and regularly.”

To celebrate the anniversary, TIAA Tuition Financing Inc., the plan manager for CHET direct-sold, is offering the opportunity to win a \$529 contribution into a CHET account or any other plan that the firm manages. Account owners and those yet to open an account are eligible. One winner will be randomly selected. Online entries must be submitted by August 31, 2016. To enter, visit <https://www.529turns20.com>.

In August 1996, Congress created section 529 of the Internal Revenue Code to make it easier for families to save for college. Three years after that, Connecticut established CHET as the state’s own 529 college savings plan. Since it was started, CHET has achieved several milestones.

- Under the Nappier administration, CHET has grown from 4,000 accounts and \$18.5 million in assets to more than 130,000 accounts and nearly \$3 billion in assets.
- CHET offers account owners some of the lowest fees in the country for a state-sponsored college savings plan. During her administration, Treasurer Nappier eliminated the annual account fee and negotiated five substantial reductions in plan management fees for CHET direct-sold accounts. In addition, account owners pay significantly lower fees to cover the cost of investment management services. At

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the start of her administration, fees were 1.55 percent of assets for all participants; today the combination of plan management and asset-based fees for the most common investment option range from .35 to .48 percent of assets -- a reduction of more than two-thirds.

- Today any investment earnings in CHET accounts may be used tax free for qualified higher education expenses. Funds saved in a CHET account can be used for qualified education expenses at accredited colleges, universities, and vocational trade schools across the country, and some colleges abroad.
- A Connecticut state income tax deduction on plan contributions was added in 2006. Connecticut residents are allowed to deduct 529 contributions from their state income taxes up to \$5,000 for an individual or up to \$10,000 for a married couple filing jointly. “Tax advantages give parents an economic incentive to save for their children’s education, and they also help ease a family’s financial burden,” said Treasurer Nappier.
- A CHET account can be opened with as little as \$25, down from \$500 when Treasurer Nappier took office.
- CHET at first offered just one investment option. Now it offers a menu of professionally managed investment options to fit account owners’ life situation, risk tolerance and college savings goals.
- In April 2013, CHET Direct launched an E-gifting option, which makes contributing to college savings accounts easier. An account owner can e-mail a link to family and friends, who can then make a gift contribution directly to a CHET account. Transactions can be completed securely online without account or social security numbers. To date, more than 2,800 E-gifts have been made, totaling more than \$2.5 million in contributions.
- Computers and other electronic devices now are an eligible education expense for tax-free withdrawals, thanks to a 2016 federal law.

“In today’s high tech world, it’s hard to believe that computers and other electronic devices have not automatically qualified as higher education expenses. More classes are using e-books and cloud-based learning programs, and it is clear that electronics are essential tools in today’s college learning environment,” Treasurer Nappier said.

“It’s also much easier to navigate changes to your plan today thanks to the ability to open and contribute to a plan online,” said Treasurer Nappier. “In fact, in the first quarter of 2016, nearly 90 percent of new CHET accounts were opened online and the percentage of online contributions, rebalances and withdrawals continues to increase annually.”

For more information about CHET, visit www.aboutchet.com or call the customer service center at (866) 314-3939.

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