



ILLINOIS
firststeps



Annual Report 2023



Letter from the Treasurer

As Illinois State Treasurer, I have made it my mission to help people invest in themselves and their family's future. With college savings, that means making it easier and less expensive to open an account. Under my watch, we slashed fees by more than half and ensured that families can open an account with Bright Start or Bright Directions, the state's highly rated 529s, with no minimum contribution, no minimum balance, and no account fees.

Thanks to these changes, as of June 30, 2023, the Illinois 529 programs have more than doubled with over \$17 billion in assets and more than 800,000 accounts. Our office is constantly working to better help families save for their child's education. That's why I'm proud to present our first annual report about Illinois First Steps, a new college savings starter program that provides a one-time \$50 seed deposit into the Illinois 529 college savings accounts of children born or adopted to Illinois residents.

Illinois First Steps launched on January 1, 2023 and saw families make claims within the first weeks. The program was made possible due to the Illinois General Assembly setting aside \$2.5 million to establish a college savings incentive program. Illinois First Steps helps place families on a path to start planning early for their child's education. Saving now means money for their child's future university, community college, trade school, or apprenticeship will be available when that child is ready to pursue additional education or training.



In today's economy, good paying jobs almost always require some form of training beyond high school: apprenticeships in trade school, vocational programs at a local community college, or a degree from a four-year university or college. Unfortunately, we also know that postsecondary education and vocational training is increasingly more expensive.

To help all Illinois families start saving for their child's future education, the state of Illinois now provides all children born or adopted on or after January 1, 2023 a \$50 seed deposit when they open an Illinois 529 college savings account through Bright Start or Bright Directions.

With Illinois First Steps, we want to ensure Illinois families from all backgrounds know that our state is invested in their child's future. We also want to encourage families to start saving as early as possible, so that their invested money might grow as their child grows.

This issue is personal to me: I was born and raised in Gifford, Illinois (pop. 975) as a child of a Teamster truck driver and a university secretary and AFSCME member. I was the first in my family to attend college, and at first, we didn't even think I could afford to go. I graduated from Yale with what seemed like a staggering amount of debt. It's also why I first ran for office: no one should have to give up their college dream because they can't afford it.

My wife Erica and I welcomed the arrival of our twin sons last year. I am now the proud father of Max, Theo, and my daughter Ella. I want them to grow up knowing they can pursue higher education, which is why I've set up Bright Start 529 accounts for each of them to save for their future. Since we launched Illinois First Steps, approximately 1,200 families have joined me in opening a college savings account in the first six months of their child's life. Parents can claim their \$50 Illinois First Steps seed deposit before their child's 10th birthday. As such, in the coming years, my office is determined to help all Illinois parents start saving.

Going forward, we want to make sure all Illinois families know of and claim their \$50 deposit through Illinois First Steps. We're working to get the word out by sending postcards and letters to all Illinois parents who had a baby on or after January 1, 2023, educating financial advisors, going out to community events, and working with community-based organizations throughout the state. We want to be an investment partner to all Illinois parents because we believe that people are our state's greatest asset. We look forward to being a first step for parents saving for their children's future education.

Sincerely,



Michael W. Frerichs
Illinois State Treasurer



Executive Summary

Through Illinois First Steps, all Illinois children born or adopted on or after January 1, 2023, became eligible for a one-time \$50 seed deposit into an Illinois 529 college savings account. To claim the seed funding, parents or legal guardians of eligible children must open an Illinois Bright Start or Bright Directions 529 college savings account before the child's 10th birthday and submit a claim for the \$50 seed deposit during the enrollment process. To ensure families are informed of their eligibility, the Illinois State Treasurer's Office notifies all parents of eligible children through one or more mailings about Illinois First Steps and the process to claim their \$50 starter deposit.

The State Treasurer's Office launched Illinois First Steps on January 1, 2023, and began to receive data on Illinois births in the second quarter of 2023. The State Treasurer publicly announced the Illinois First Steps program and started to notify eligible parents in the summer of 2023.

- Nearly 1,200 Illinois residents claimed and received their Illinois First Steps deposit.
- 94% of claimants deposited their own funds in addition to the initial seed deposit.
- The Illinois First Steps program disbursed \$59,700 to Illinois residents' Bright Start and Bright Directions accounts in the first half of 2023 to jump start families' college savings.

A primary goal of Illinois First Steps is to encourage parents to start saving for higher education early in their child's life. When it comes to saving for postsecondary education, the ideal would be for all parents to start saving at (or perhaps even before) the birth of a child. For many reasons, parents often start saving much later.

Before the launch of Illinois First Steps:

- The mean child age at which a parent opened an Illinois 529 college savings account for their child was 7.9 years and the median age was 5 years.

Following the first six months of Illinois First Steps:

- The mean child age at which a parent opened an Illinois 529 account had dropped to 7.8 years and the median age declined to 4 years — implying the program may have meaningfully encouraged parents to start saving earlier than they historically have been.

The Illinois State Treasurer's Office remains dedicated to building awareness about all of its programs, including its college savings initiatives.

- The State Treasurer's Civic Engagement team delivered information about Illinois First Steps at 248 community events across Illinois, through June 30, 2023. These events included engagements at public libraries, community centers, chambers of commerce, county health departments, and veterans' drop-in centers.

In this initial phase during the first half of 2023, we've already seen the impact Illinois First Steps has had to help place families on the path to saving early for their child's future education and look forward to continuous growth in the coming years.



Illinois 529 Plans: Bright Start & Bright Directions



The Illinois State Treasurer's Office serves as the Trustee and Administrator of two higher education savings plans to help Illinois families save for post-secondary education: **Bright Start** and **Bright Directions**. Both options are tax-advantaged investment plans enabling parents to save money for their children's future education expenses. Bright Start is a direct plan that individuals can sign up for and manage on their own, while Bright Directions is a plan that can only be accessed through a financial advisor. Both plans allow Illinois families to save while taking advantage of great federal and state tax benefits, such as:

- Tax deductible contributions for Illinois taxpayers (up to \$10,000 for individuals and \$20,000 for joint filers)
- Tax-deferred earnings while invested in the plans
- Tax-free withdrawals, when used for a qualified higher education expense (including tuition, required fees, books, supplies, room and board, and other expenses)

With college costs continuing to rise, the Illinois State Treasurer is proud to offer plans that are flexible and accessible to all savers. When savers open a Bright Start or Bright Directions account, they benefit from:

- No annual fees
- No required minimum or ongoing contributions
- Flexible usage for higher education, including trade schools, vocational schools, apprenticeship programs, community colleges, 4-year institutions, and graduate schools across Illinois, throughout the United States, and in dozens of countries abroad.

Treasurer Frerichs has worked to reduce plan fees and ensure more investment dollars go directly to college savings. Since 2015, the fee changes implemented by Treasurer Frerichs have saved families more than \$100 million.

The State Treasurer's Office also works to make the plans among the highest-quality college savings plans in the country. In recent years, reviewers Morningstar, Forbes, and Savingforcollege.com have all recognized Bright Start and Bright Directions as among the best 529 plans in the country.

Treasurer Frerichs' focus on quality and low cost has helped the plans grow from \$7 billion in assets in 2015 to over \$17 billion in assets as of June 30, 2023.



Launch of Illinois First Steps, a Children's Savings Account



Children's Savings Accounts, or CSAs, are long-term savings or investment accounts that provide incentives for young children to build savings for postsecondary education. CSAs have grown in popularity across the United States as research has confirmed their value. For example, research has shown that having a children's savings account dedicated to postsecondary education raises children's educational expectations about themselves.¹ Additionally, participating in a CSA program can improve children's social-emotional development and academic achievement.^{2,3} Overall, children who have a college savings account are approximately three times more likely to attend college.⁴

¹ Washington University, Center for Social Development

² Washington University, Center for Social Development

³ University of Kansas, Center on Assets, Education, and Inclusion

⁴ Washington University, Center for Social Development

⁵ Prosperity Now

Given these outcomes, government and nonprofit entities have continued to launch CSA programs to invest in children's future education. These accounts typically offer seed deposits ranging from \$20 to \$500 to assist with savings and to encourage individuals to open an account. As of December 2022, 4.9 million U.S. children had a Children's Savings Account across 128 programs in 38 states and DC.⁵



Photo: College Savings Event at Wonder Works Children's Museum in Oak Park

Who Is Eligible?

Illinois First Steps is a college savings starter program that provides a one-time \$50 seed deposit into the 529 college savings accounts of children born or adopted to Illinois residents. To qualify for a \$50 seed deposit from Illinois First Steps, the parent or legal guardian must:



Live in Illinois

The parent needs to be a resident of Illinois at the time of the child's birth or adoption.



Open a Bright Start Account

To claim the funds, the parent or legal guardian of the 2023 newborn or adopted child needs to have a 529 college savings account with Bright Start (or Bright Directions if they work with a financial advisor).



Have a New Child in 2023

The child listed as the beneficiary of the Bright Start or Bright Directions account must be born or adopted on or after January 1, 2023.



Claim Now

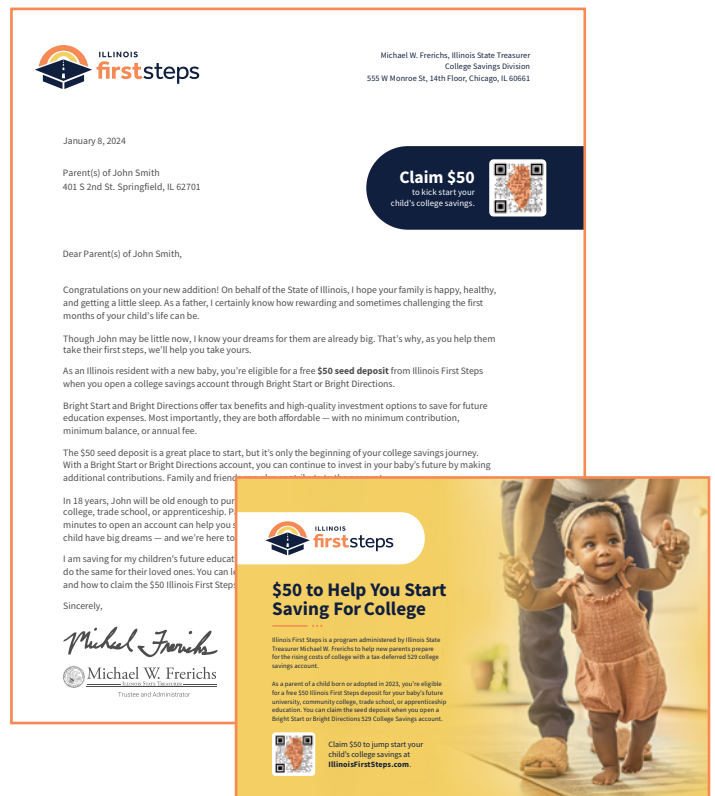
Parents or legal guardians must claim the \$50 seed deposit from Illinois First Steps before the child's 10th birthday.

Informing New Parents

To claim the seed funding, parents or legal guardians of eligible children must open an Illinois-sponsored 529 college savings account and submit a claim for the \$50 seed deposit during the enrollment process. Illinois First Steps reviews and verifies the information submitted to validate the claim. No additional contribution is necessary to receive the Illinois First Steps seed deposit.

The Illinois State Treasurer is committed to ensuring all families are informed of their eligibility to receive \$50 to jump start their children's educational savings. All parents residing in Illinois with a child born or adopted on or after January 1, 2023, are notified through one or more mailings about Illinois First Steps and the process to claim their \$50 starter deposit.

In addition, the Illinois State Treasurer has committed to a mix of digital and in-person marketing to new and expecting parents to inform them about Illinois First Steps. State Treasurer staff has also shared information about Illinois First Steps at hundreds of events across Illinois (see more on p. 13).



Illinois First Steps: The First Six Months

Illinois residents became eligible and could submit claims for Illinois First Steps on January 1, 2023. The Illinois Department of Health shared data on Illinois births with the State Treasurer’s Office in the second quarter of 2023. Once data was reviewed and program data flows tested, Treasurer Michael Frerichs officially announced the Illinois First Steps program on July 31, 2023.

The first half of 2023 is considered to be the “initial phase” of Illinois First Steps. This report includes Bright Start and Bright Direction account information for Fiscal Year 2023, which concluded on June 30, 2023. In the first half of 2023, 1,194 Illinois residents claimed and received their Illinois First Steps deposit. In total, the Illinois First Steps program disbursed \$59,700 to Illinois residents’ Bright Start and Bright Directions accounts in the first half of 2023 to jump start families’ college savings.

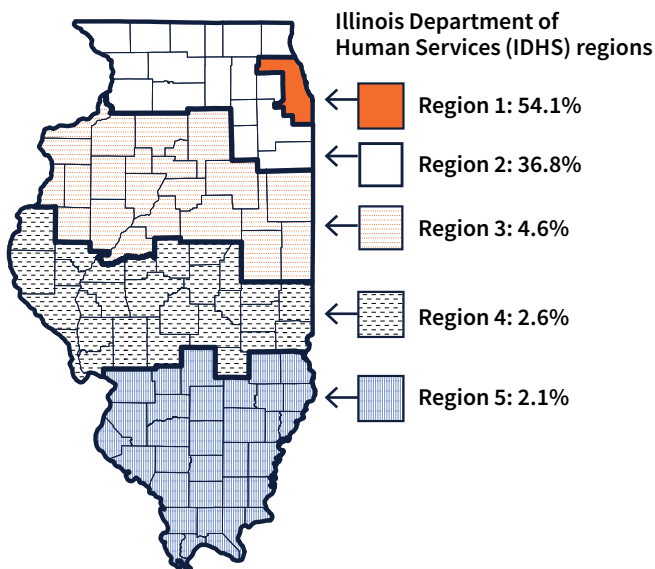
To compare enrollment across geographies, the Illinois State Treasurer’s Office utilized five different regions of the state delineated by the Illinois Department of Human Services (IDHS). Each region represents an aggregation of multiple Illinois counties, with the exception of Region 1, which solely represents Cook County. Of the 1,194 Illinois residents who claimed their Illinois First Steps deposit,

54.1% of claimants reside in Region 1, 36.8% reside in Region 2, 4.6% reside in Region 3, 2.6% reside in Region 4, and 2.1% reside in Region 5.¹

The Illinois State Treasurer’s Office will continue to track metrics for program success as the Illinois First Steps program continues to grow. To compare accurately between years, aggregate data, such as the total number of Bright Start and Bright Directions accounts, is separated between the first two and latter two quarters of each fiscal year.

- In the first half of 2023, 20,355 individuals opened a Bright Start or Bright Directions account, compared to a previous 4-year mean of 25,683.
- Of these account openings, 12,190 individuals opened a Bright Start account and 8,165 individuals opened a Bright Directions account. The proportional comparison between Bright Start and Bright Directions is similar to previous years, as Bright Start accounted for 59.9% of account openings in the first half of 2023 and 60.5% of total account openings between 2019 and 2022.
- At the end of 2022 there was a combined total of almost 45,000 new accounts from both Bright Start and Bright Directions.

Illinois First Steps claims by geographic region



¹ Percentages do not sum to 100.0% due to rounding

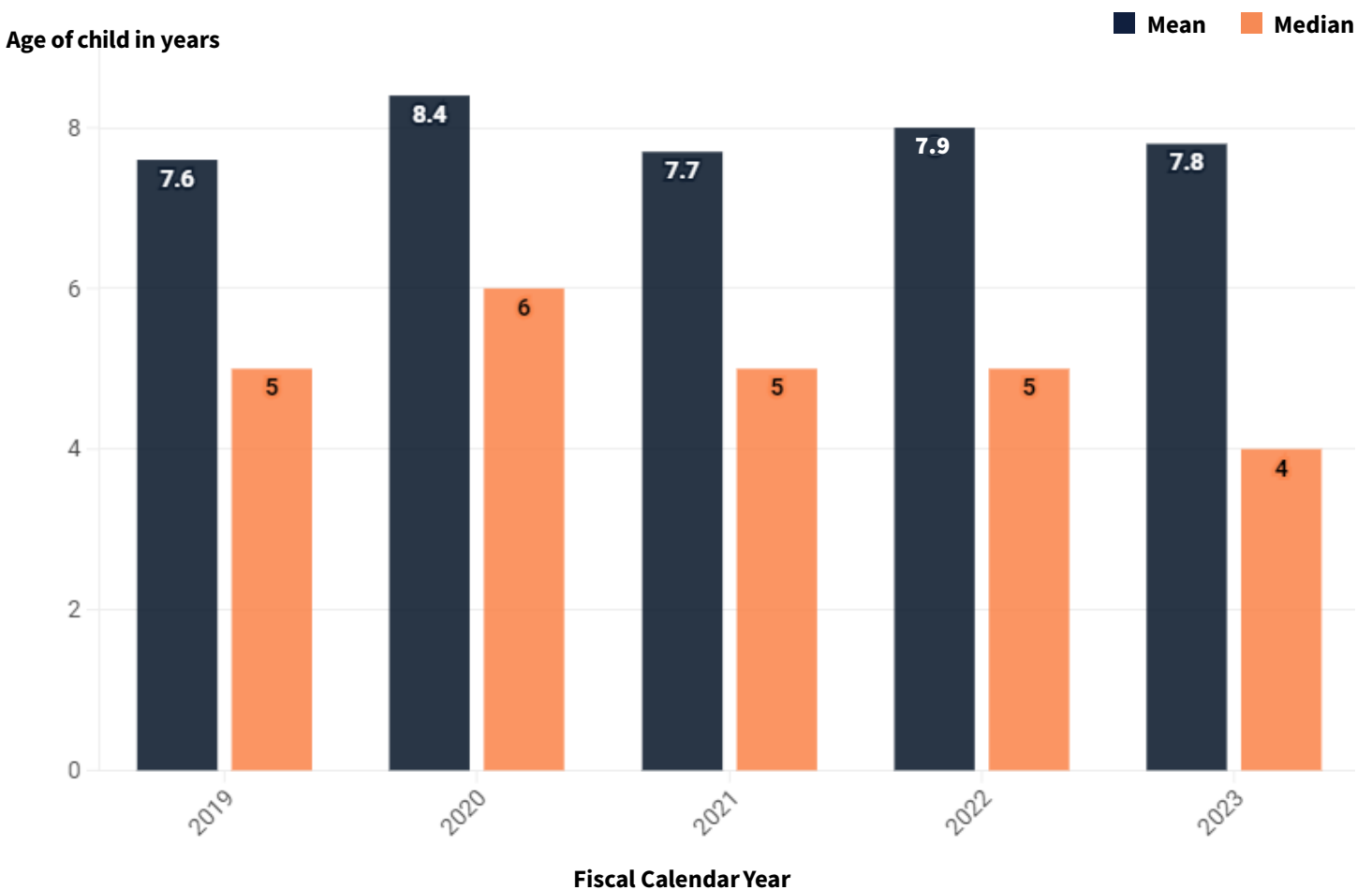


Start Saving Early

A primary goal of Illinois First Steps is to encourage parents to start saving for higher education early in their child's lives. Before the launch of Illinois First Steps, the mean child's age at which a parent opened an Illinois 529 college savings account for their child was 7.9 years and the median age was 5 years. **After its launch, the mean child age at which a parent opened an Illinois 529 account for their child was 7.8 years and the median age was 4 years.**

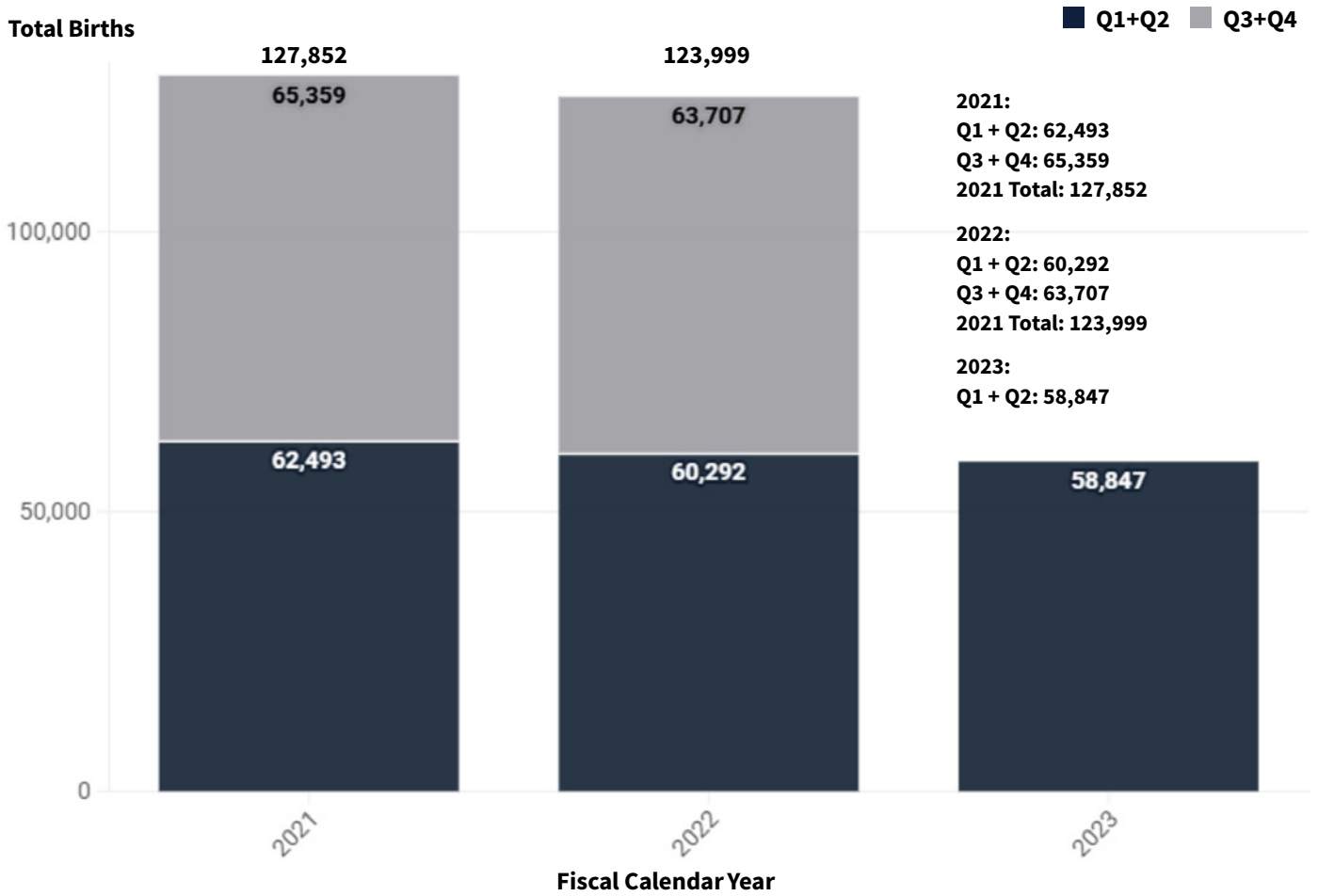
The Illinois State Treasurer's Office receives birth information from the Illinois Department of Public Health. Because of this partnership, the Treasurer's Office can notify all families residing in Illinois with a child born or adopted on or after January 1, 2023, through one or more mailings about Illinois First Steps and the process to claim their \$50 starter deposit. In the first two quarters of 2023, there were 58,847 births to Illinois residents. **In the same period, parents claimed Illinois First Steps deposits for approximately 2% of these total births.** All parents residing in Illinois with a child born or adopted on or after January 1, 2023 remain eligible for an Illinois First Steps deposit until the child's tenth birthday.

Age of child when parents opened an Illinois 529 college savings account





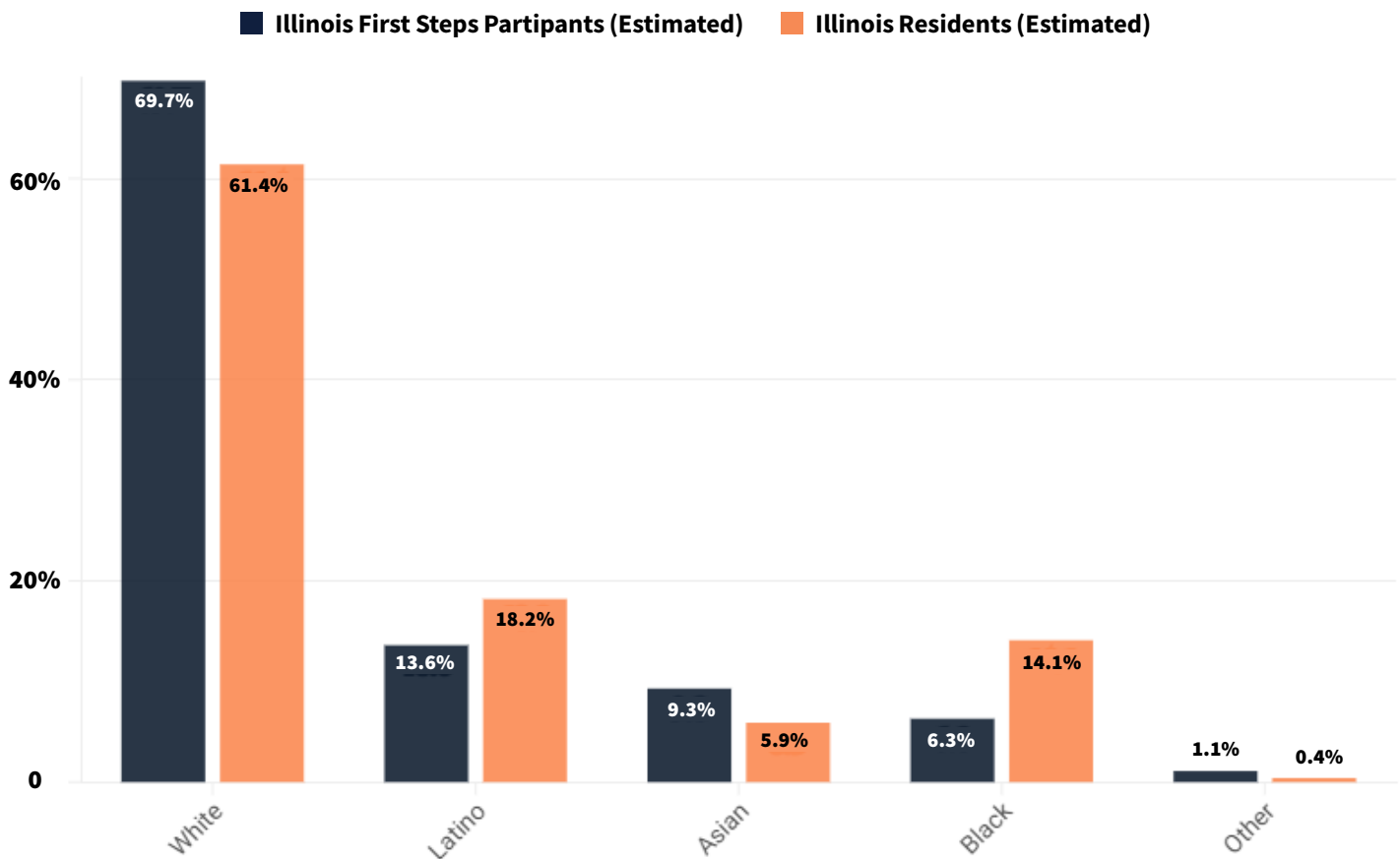
Illinois Births by Quarter, 2021–2023



Illinois First Steps Participants

The Illinois State Treasurer's Office is dedicated to promoting college savings options to all Illinois residents. To estimate participant demographics, the Illinois State Treasurer's Office matched the ZIP code of residence for Illinois First Steps enrollees with U.S. Census demographic information by ZIP code. The Office then compared the ZIP code matches of Illinois First Steps enrollees to demographic information for all Illinois residents. The chart below displays racial and ethnic comparisons between Illinois First Steps participants and Illinois residents.

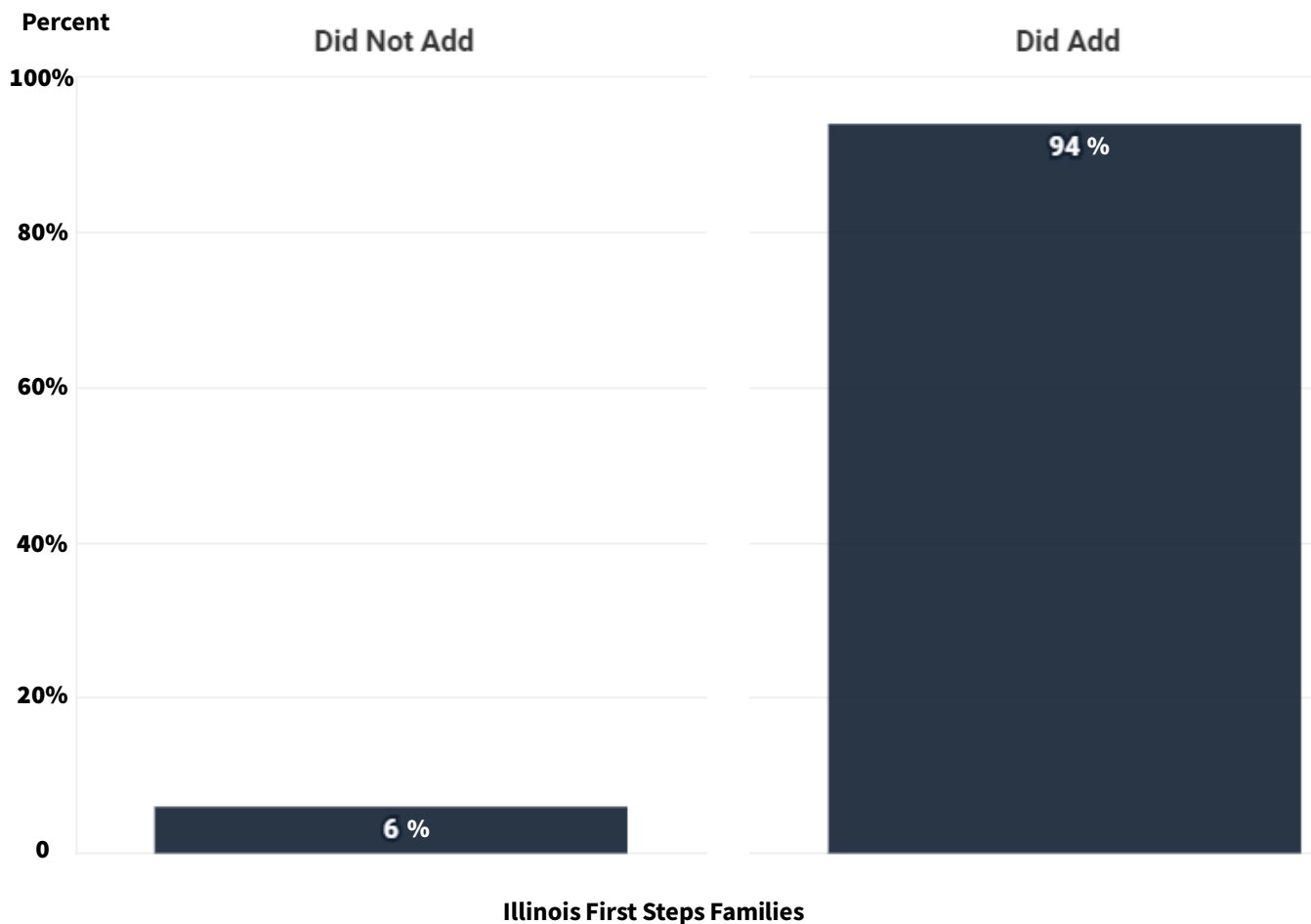
Estimated Racial and Ethnic Composition of Illinois First Steps Participants and Illinois Residents



Encouraging Growth

Illinois First Steps provides a one-time \$50 seed deposit into the Illinois 529 college savings accounts of children born or adopted to Illinois residents. No additional contribution is necessary to receive the Illinois First Steps seed deposit. Many families choose to add personal contributions towards their child's educational savings. **Of the 1,194 families who claimed their \$50 seed deposit, 94% of claimants deposited their own funds in addition to the seed deposit.**

Percent of Claimants Who Deposit Their Own Funds in Additional to Seed Funding



Civic Engagement

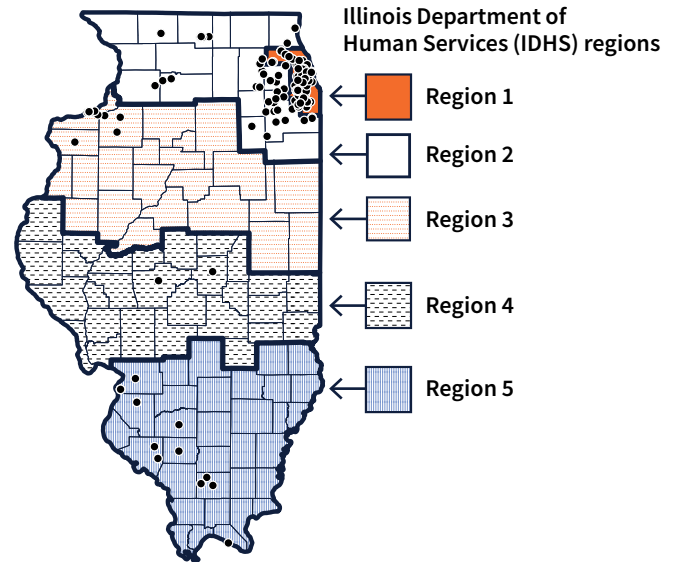


Photo: Kids Day at the Illinois State Fair in Springfield

The Illinois State Treasurer’s Office is dedicated to helping families learn about the Office’s programs, including its college savings initiatives. In the first half of 2023, the State Treasurer’s Civic Engagement team delivered information about Bright Start, Bright Directions, and Illinois First Steps at 248 events across Illinois. These events included engagements at public libraries, community centers, chambers of commerce, county health departments, senior living facilities, and veterans’ drop-in centers.

The Treasurer’s College Savings team is also dedicated to promoting college savings initiatives to Illinois communities. While new parents became eligible for a \$50 deposit from Illinois First Steps beginning January 1, 2023, Treasurer Frerichs officially announced the Illinois First Steps program on July 31, 2023 in a press conference to the public. Before the official public launch, the College Savings Team participated in 10 community events to specifically promote Illinois First Steps, including events at elementary schools, the Annual Statewide Summit for Bilingual Parents, and the Southern Illinois Back-to-School Expo.

Our Events Across Illinois



Illinois First Steps is proud to work with community organizations across Illinois who are excited to promote the program to their families. Illinois First Steps has partnered with several children’s museums, including the Springfield Kidzeum of Health and Science, DuPage Children’s Museum, and the Wonder Work Children’s Museum of Oak Park, to encourage eligible families to claim their \$50 deposit.

Illinois First Steps has also presented to local non-profit and government agencies, including Every Child Ready Chicago, Illinois Action for Children, and the Chicago Bureau of Maternal, Infant, Child, and Adolescent Health (MICAH). Through these relationships, the State Treasurer’s Office promotes Illinois First Steps and encourages families across Illinois to claim their \$50 starter deposit. The Treasurer’s Office looks forward to partnering with additional community organizations as the Illinois First Steps program continues to expand in the coming years.



Visit us at illinoisfirststeps.com

The Bright Start Direct-Sold College Savings Program and Bright Directions Advisor-Guided College Savings Program are sponsored by the State of Illinois and administered by the Illinois State Treasurer, as Trustee. Union Bank and Trust Company serves as Program Manager, and Northern Trust Securities, Inc. serves as Distributor for Bright Directions. Balances in your Bright Start and Bright Directions accounts are not guaranteed or insured by the Programs, the State of Illinois, the Illinois State Treasurer, any other state or federal agency, Union Bank and Trust Company or any of its affiliates, Northern Trust Securities, Inc. or any of its affiliates, the Federal Deposit Insurance Corporation (except as provided in the Program Disclosure Statements solely with respect to the FDIC-insured Bank Savings Underlying Investment), 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 Program Disclosure Statements which can be obtained online 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 Statements. 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.

To stop receiving notifications on Illinois First Steps please email your name and mailing address to collegesavings@illinoistreasurer.gov.

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