Bright Start Planner ▸ First Quarter 2019

brightstart 529 College Savings

Tax Season To-Dos

Tax Day is right around the corner. If you're still preparing to do your return, let's review what information you'll need to include:

SHOW WHAT YOU SAVED

Ensure you've reported all your 2018 contributions to Bright Start on your tax return. Remember: if married filing jointly, up to $20,000 of your college savings dollars qualify for an Illinois state income tax deduction.[1]

KNOW WHAT'S ELIGIBLE

As a reminder, 2018 529 contributions can be deducted on your upcoming tax return. But did you know that any contributions postmarked by December 31st are also eligible on this year's taxes — even if they weren't processed until 2019? These will be marked as "Prior Year Contributions" on your first quarter statement.

REPORT WITHDRAWALS

If you took money out of a 529 for qualified expenses[2] last year, you should've received IRS Form 1099-Q by mail — you'll need this for your 2018 taxes. If the withdrawal was payable to your beneficiary, the form would've been sent to them.

DISCLOSE LARGE GIFTS

If you or a loved one made a contribution over $15,000 to your child's Bright Start account in 2018 — or you took advantage of the special five-year, front-loading election allowed for 529 plans — make sure you notify your tax professional so they can determine any potential gift tax filings.

REMEMBER YOUR DEADLINE

The due date for filing 2018 taxes is April 15, 2019. If you need any assistance with reporting college savings information on your return, we're here to help. Give us a call toll-free at 877.432.7444 or submit your question at BrightStart.com/Contact-Us.

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Naming a Successor Account Owner

Should the unthinkable happen to you, it's important that your child's college fund is protected. Fortunately, there's one simple way to ensure that the account is used for its intended purpose: name a successor account owner. That way, if you're not able to make decisions about the funds you've saved, someone you trust will be.

Visit BrightStart.com/Forms to download the paperwork you'll need to name your successor.

Michael W. Frerichs
Illinois State Treasurer
Trustee and Administrator

UBT Union Bank & Trust
Program Manager

Where Are Your Dollars Going?

Take time this year to re-evaluate how your college dollars are being invested. Bright Start has three portfolio categories to choose from:

Age-Based Portfolios: Adjust from aggressive investments when your child is younger, to more conservative options when they're closer to college age.

Target Portfolios: A fixed investment strategy for the life of the account.

Individual Fund Portfolios: A suite of 16 portfolios with a variety of different investment strategies.

Be sure to take your own comfort level with risk into consideration, along with your child's college timeline before switching approaches. Take our Investor Questionnaire at BrightStart.com/Investment-Options to determine which may be right for you.

The Bright Start Direct-Sold College Savings Program is part of the Illinois College Savings Pool and is designed to qualify as a qualified tuition program under the provisions of Section 529 of the Internal Revenue Code. The Bright Start Direct-Sold College Savings Program is sponsored by the State of Illinois and administered by the Illinois State Treasurer, as Trustee. Investments in the Bright Start Direct-Sold College Savings Program are not guaranteed or insured by the State of Illinois, the Illinois State Treasurer, the Program Manager, 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 Start Direct-Sold College Savings Program Disclosure Statement, which can be obtained at BrightStart.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.

[1]An 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.

[2]Withdrawals 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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