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COLLEGE SAVINGS UP 13 PERCENT IN VIRGINIA

Families Benefit from Tax Advantages and Program Variety Offered by State Plan

RICHMOND -- August 30, 2013 -- As Virginia college students head back to campus, many will use funds from college savings accounts to pay for tuition, books, room and board. The most popular savings vehicle is a 529 account, named for Section 529 of the Internal Revenue Code that makes earnings in the accounts tax free. Virginia families tucked away \$479 million in the Commonwealth's 529 programs in fiscal year 2013, according to Virginia529 College Savings Plan (Virginia529), the agency that oversees the programs.

The figure represents an increase of 13 percent over the amount families saved the previous year. Officials attribute the rise to improved economic conditions, growing concerns about student loan debt and extensive marketing of the state plan.

"The increase in the amount of discretionary income families devote to 529 accounts continues to show the value they place on higher education," said Mary Morris, Virginia529 CEO. "Parents want their children to avoid the financial burden of student loans that they themselves might have experienced or might still be repaying."

Distributions from Virginia529 programs in fiscal year 2013 also increased, as more students withdrew money from their accounts to pay for higher education expenses. The state agency distributed \$250 million, also reflecting a growth of 13 percent.

Nearly half (49 percent) of distributions went directly to Virginia public schools. Virginia Tech received the most funds (\$24.3 million in 2013), followed by the University of Virginia (\$20.0 million) and James Madison University (\$13.5 million). Virginia Commonwealth University (\$12.2 million) and William and Mary (\$10.6 million) round out the list of the top five recipients of distributions from Virginia529.

The total impact to Virginia schools is likely higher, however, as many students attending local colleges and universities pay for expenses out of pocket and apply for reimbursement from the 529 program.

Tax-free growth 529 accounts' biggest benefit

Because earnings in 529 accounts grow free from taxation by federal and state government when used for qualified higher education expenses, families may accumulate more toward their savings goals than in taxable vehicles. In addition, taxpayers may deduct from their individual Virginia state income tax filings up to \$4,000 in contributions per account per year.

Virginia529 offers four tax-advantaged programs that families can use to save in advance for the rising costs of higher education.

The oldest program, Virginia529 prePAIDSM (prePAIDSM), allows savers to purchase contracts for specific amounts of tuition, from one semester up to four years at community colleges or universities, for use in the future. Open enrollment dates for 2013-2014 have not been announced yet, but typically the program opens for new participants in December and closes in March.

With similarities to a 401(k) retirement plan, Virginia529 inVESTSM (inVESTSM) is an investment option for those who want more flexibility and investment choice in their college savings strategy. Accounts may be opened online at Virginia529.com year-round and with as little as \$25. The account owner determines the amount and frequency of contributions after that. Morris notes that recurring ACH contributions are gaining favor as more families commit to regular investments in their college savings accounts. inVEST offers a variety of portfolios, including options that evolve over time to a more conservative asset allocation as the beneficiary approaches college age.

For the most conservative savers, Virginia529 offers CollegeWealth[®], a high-yield FDIC-insured savings account available through BB&T and Union First Market Bank[®]. Accounts currently earn a minimum of 2 percent APY and offer the same tax advantages as Virginia529's other products.

The fourth Virginia529 program, CollegeAmerica[®], is an investment program similar to inVEST; however, it is sold exclusively through financial advisers. The program, which offers portfolios by the American Funds, is the largest 529 program in the United States with \$39 billion in assets as of June 30, 2013. As many CollegeAmerica account holders are non-Virginia residents, contribution and distribution data for this program was excluded from the figures above.

About the Virginia529 College Savings Plan:

Virginia529 is a 529 college savings plan that offers flexible, affordable, tax-advantaged savings for qualified higher education expenses through its four programs – Virginia529 prePAIDSM (prePAIDSM), Virginia529 inVESTSM (inVESTSM), CollegeAmerica[®] and CollegeWealth[®]. With 2.3 million accounts and more than \$43 billion in assets under management as of June 30, 2013, Virginia529 is the largest 529 plan in the country. For more information on Virginia529's college savings options, visit Virginia529.com.

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