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Tennessee's new program offers easy, low-cost way to save for college

State Treasury Department Offers Immediate Incentives for Tennesseans To Open Accounts

NASHVILLE, Tenn., Tuesday, Sept. 18, 2012 – Governor Bill Haslam and Tennessee Treasurer David H. Lillard, Jr. say Tennessee needs a highly-educated workforce to continue to attract businesses that bring new jobs to the state. So earlier today, Treasurer Lillard and Governor Haslam, along with Lt. Governor Ron Ramsey and House Speaker Beth Harwell, introduced the Tennessee Stars College Savings 529 Program, which is a tool that can help more Tennesseans get the college education they will need to succeed in a highly-competitive job market. The program offers family and friends a low-cost way to save for children's college expenses with attractive investment options and special tax advantages.

Treasurer Lillard and Governor Haslam announced the new program in front of a crowd of children, parents and grandparents at the Adventure Science Center Planetarium in Nashville. Some of the attendees immediately signed up for the program at the event.

“In a competitive global economy, it is imperative that Tennessee children have access to higher education and develop a strong set of skills to help transition into the workforce. The Tennessee Stars College Savings 529 Program makes college savings cost effective, easy and relatively inexpensive, with a range of investment options,” said Treasurer Lillard.

“This is a great opportunity for Tennesseans who want to attend college,” Governor Haslam said. “College is not for everyone, but it needs to be for more Tennesseans if we're going to compete for jobs in today's market. This program will help increase student accessibility to a college education as we work to grow and recruit businesses to Tennessee.”

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The Tennessee Stars College Savings 529 Program is a tax-advantaged college savings plan that is designed to help Tennessee parents, grandparents and friends support the educational needs of loved ones. The plan takes its name from Section 529 of the Internal Revenue Service Code, which authorized the creation of tax-advantaged plans in 1996.

To encourage enrollment in the program, the Tennessee Department of Treasury is offering financial incentives to any Tennessee residents interested in opening accounts. Tennesseans who open accounts with at least \$50 will each receive a one-time \$50 match from the state. Tennesseans who roll over their entire account balances from other 529 college savings plans, including the state's prepaid plan, will each receive \$100.

There are many benefits to investing with Tennessee Stars College Savings 529 Program. The plan is available to everyone and the investment returns on savings are tax free as long as they are used for approved education-related expenses. The money saved may be applied to higher education, including public or private colleges and universities inside or outside the state of Tennessee as well as any other educational entities eligible to receive federal student loan funds, such as Tennessee technology centers.

Benefits of Tennessee Stars include:

- Low fees that will be on par with the top-rated plans in the nation;
- 14 investment options and an age-based option covering a wide array of investment strategies;
- Federal tax-free earnings if the money is used for higher education expenses;
- Availability to anyone regardless of income level. Parents, grandparents, aunts, uncles and friends can open accounts on behalf of children;
- Contributions qualify for a \$13,000 annual federal gift tax exclusion. Also, a lump sum of \$65,000 may be contributed to a 529 plan and treated as if it were made over a five-year period to completely avoid the federal gift tax; and
- Plan contributions aren't considered to be a part of an estate for federal tax purposes. Account owners still retain control of the accounts, but do not pay federal estate taxes on the value of the accounts. But if a gift is spread over five years and the account owner passes away within the five years, a portion of the gift will be included in the estate.

Participants have control over how they manage their investments with the Tennessee Stars College Savings 529 Program. The plan offers an age-based option in which investments are more aggressive when children are young and then become more conservative as the children approach college age. The plan also offers individual investment options, including domestic and international equities, balanced fund options, fixed income options, and an FDIC-insured option. The underlying investments for the plan will be offered from more than one fund company.

“We’ve worked to make sure that saving for college with the Tennessee Stars College Savings 529 Program is easy. Tennessee, this plan is for you. It has been designed by Tennesseans. It is managed by Tennesseans. And, if you call with a question, you’ll be speaking with Tennesseans,” said Treasurer Lillard.

Anyone interested in opening an account with the Tennessee Stars College Savings 529 Program can learn more by visiting www.TNStars.com or by calling (855) 386-7827 toll-free.

Businesses are also encouraged to make it easier for their employees to save by offering payroll deductions to the program.. Any business interested in offering payroll deductions can learn more by visiting www.TNStars.com or by calling (855) 386-7827 toll-free.

“We have a strong business community in Tennessee and business owners and human resource professionals can offer college savings through the Tennessee Stars College Savings 529 Program as a payroll deduction option for each of their employees,” said Governor Haslam.