



Alaska's education savings program: *The Education Trust of Alaska & Alaska 529, equipping Alaskans with a tool to save for future education and training.*

ALASKA529

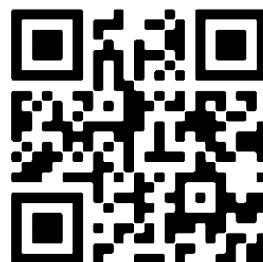
Offered by the Education Trust of Alaska

Lael M. Oldmixon, Executive Director & Trust Administrator
February 2023



ALASKA529

www.Alaska529Plan.com



Background

What are 529s?

529s, also known as education savings plans, college savings plans, and qualified tuition programs, are established and maintained by a state or instrumentality or by one or more eligible educational institutions.

Background



About the Education Trust of Alaska

Established under the **Alaska College Savings Act** in 2001, Alaska's education savings program was established within the University of Alaska system and offered under the umbrella of the **Education Trust of Alaska** (Trust).

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Jesseau - The Alaska House Wednesday passed Senate Bill 186, sponsored by Senator Tim Kelly (R-Anchorage). SB 186 would authorize a new way to save for a higher education in Alaska by creating the Alaska Higher Education Savings Trust.

"Under Internal Revenue Service Code Section 529, states are allowed to create qualified State tuition programs," said Kelly. "These education programs allow a person to make contributions into a tax-deferred savings account on behalf of a beneficiary, or to purchase tuition credits on behalf of a beneficiary." SB 186 is the state legislation needed to take advantage of this federal provision.

The University of Alaska would administer the Trust, and individuals would be able to contribute up to \$50,000 in a lump sum or over a five-year period. The Savings Trust would grow, tax-deferred, until withdrawal by the beneficiary, and would then be taxed at the student's rate at the time of withdrawal.

"This program provides unprecedented flexibility and savings power," said Kelly. "Recent activity in Washington, D.C. indicates that at some point in the future Congress may allow funds to be withdrawn from this type of education account tax-free as long as they are used for education."

SB 186 also updates the Advanced College Tuition program to conform with new IRS codes and changes the name to the Advanced College Savings Fund. Both the Fund and the Trust fall under the same state statute.

SB 186 goes to the Senate Finance Committee.

Education - a Gift of Permanent Value

Most families face three major expenses—the purchase of a house, a new car, and an education. Inflation is 65% higher on tuition than on all other expenses. Will Alaskan families be able to afford college for their children?

A new law offers Alaskan families an affordable, safe solution to the college cost crunch. This law created the Advance College Tuition Permanent Fund and allows use of Permanent Fund dividends or cash contributions to secure tuition credits at today's cost for use in the future.

Advance College Tuition is easy, safe, and guaranteed. You can cash contributions or a checkoff plan to purchase tuition credits. These credits are good at any college determined price. You name the beneficiary. Next year—or whenever you choose—those credits are purchased. You, the plan and letting you in advance the cost of the credits each year in time to purchase at the old price.

As legal guardian, you can use your child's Permanent Fund dividend to purchase tuition credits for your child. And, you can name up to three alternate beneficiaries who would be able to use the tuition credits if your named beneficiary failed to waive their right.

You will receive a regular statement of the account. This lets you know where you stand, and helps you in planning for purchase of further credits. You will also receive a newsletter keeping you informed of any changes in the plan and letting you in advance the cost of the credits each year in time to purchase at the old price.

1991 College Costs

USC	\$ 19,61
Yale	\$ 20,82
UCLA	\$ 10,76
U of Wash.	\$ 9,35
Ohio State	\$ 10,195
UAF	\$ 3,970

1991 College Guide

ACT Advance College Tuition

ALASKA529

Background



Why is the Trust housed at the University of Alaska?

UA previously offered the pre-paid tuition program, Advance College Tuition (ACT) and had professional expertise at the forefront of the rapidly changing 529 landscape. Since 529 accounts were savings vehicles for college savings, they provided a perfect bridge to the University of Alaska.

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House Passes Education Trust Bill
Bill Would Create a New Way to Save for College Tuition

For Immediate Release: October 23, 1998
Contact: Senator Tim Kelly at (907) 465-2822

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"Under Internal Revenue Service Code Section 529, states are allowed to create Qualified State Tuition Programs," said Kelly. "These education savings accounts for a beneficiary, or to purchase tuition credits on behalf of a beneficiary, are the state legislation needed to take advantage of this federal provision."

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UCLA	\$ 10,76
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Ohio State \$	10,195
UAF	\$ 3,970

ACT Advance College Tuition

ALASKA529

Offered by the Education Trust of Alaska



Purposes of the Trust

- to secure the **payment** of available account balances to account holders and beneficiaries,
- to secure the UA Tuition Value Guarantee, if applicable, to those both participating in the UA Portfolio and attending the University of Alaska, and
- to accomplish the Trust objectives.

The Board of Regents determined that the purposes of the college savings program may be accomplished through the Trust, and the Trust was established to carry out and promote the purposes of the college savings program.

Offered by the Education Trust of Alaska

Trust Objectives

- Reduce financial barriers to obtaining education
- Provide access and a convenient means of saving for education
- Encourage and inspire academic achievement
- Promote attendance within the UA system to beneficiaries and account holders
- Enhance opportunities for beneficiaries to complete their education

D-6 Tuesday, February 29, 2000

FORUM / LETTERS

Higher education costly, and state can help

By REP. LISA MURKOWSKI

I wish to provide some clarification regarding the letter by Mr. Harvey M. "Butch" Douthit ("Advanced College Tuition money should be returned to investors," Speaking to Alaska, Feb. 20) concerning the Advanced College Tuition program. Let me begin by saying that I respect Mr. Douthit for looking ahead and making fiscally responsible decisions for his children's higher education. Furthermore, I agree that an education investment program should reinvest as much of the earnings dividends as possible while still keeping the program running properly. However, it is important that I set the record straight and differentiate between the Alaska Scholars Program and the Advanced College Tuition program.

The Scholars Program was established by the University of Alaska in 1999 to award a \$10,800 scholar-

COMPASS
POINTS OF VIEW FROM OUR COMMUNITY

posal is not to take earnings away from the ACT program. Rather, it is to fund the scholarship program from the Student Loan Corp. dividend, rather than from the university's natural resources fund.

The ACT program is a well-established, pre-graduation program through the University of Alaska; the Permanent Fund dividend application provides an optional check-off box that provides that half of the dividend is to be directed to the ACT program for the benefit of a specific student to be used for college tuition. Mr. Douthit has done for his children. The ACT program has about 12,000 participants, and all the monies earned on investments go back into the program. While the ACT program has proven to be a useful investment vehicle, there have been many changes in the IRS tax code since 1990 that allow the creation of better, more flexible higher education savings programs.

This year I introduced, along with Sen. Tim Kelly, legislation relating to the Alaska Higher Education Savings Trust and the Advanced College Tuition Savings Fund. This bill has two roles: first, it changes the ACT program into a savings fund that is more in step with current tax codes and allows greater investment flexibility.

Second, this bill creates a new trust savings program allowed under IRS code 529. Both of these pro-



The expense of higher education continues to be a financial challenge to families. Programs like the ACT and the Higher Education Savings Trust help to meet that challenge.

grams would be administered by the University of Alaska and would be revenue-neutral — that is to say that the program must pay for itself.

The expense of higher education continues to be a financial challenge to families. Programs like the ACT and the Higher Education Savings Trust help to meet that challenge.

Rep. Lisa Murkowski is a Republican state representative from Anchorage.

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Offered by the Education Trust of Alaska

The slide features three distinct 529 plan offerings. The first is 'ALASKA529' with a blue and green logo. The second is 'T. Rowe Price COLLEGE SAVINGS PLAN' offered by 'THE EDUCATION TRUST OF ALASKA', featuring a graduation cap icon and a blue square pattern. The third is 'JOHN HANCOCK FREEDOM 529 OFFERED BY EDUCATION TRUST OF ALASKA' with a blue graduation cap icon.



▀ Marketed in Alaska by the Education Trust of Alaska

- *45,307 funded accounts totaling \$664M*
- *Average account balance is \$14,649*

▀ Marketed nationally by T. Rowe Price

- *117,377 funded accounts totaling \$3.2B*
- *Average account balance is \$27,333*

▀ Marketed nationally by John Hancock through financial advisors

- *225,627 funded accounts totaling \$5.2B*
- *Average account balance is \$23,100*

As of 12/31/22

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Alaska's 529 Education Savings Plan



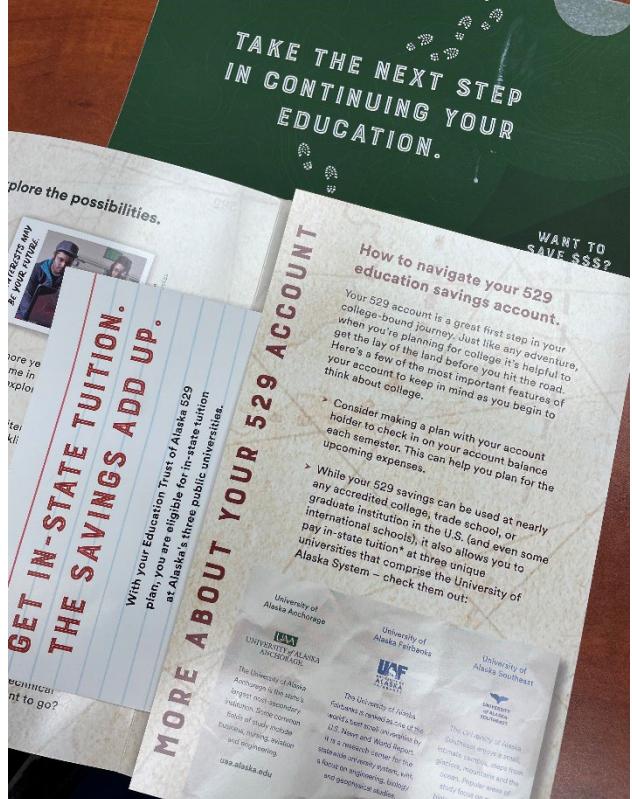
- **Alaska 529**, the Trust's plan marketed directly to Alaskans, has offered a premier education savings tool with a mission to equip individuals with an affordable and flexible approach to investing in future education.
- Alaska 529 accounts grow tax-free and offer convenient, age-based investment options, where portfolios become more conservative as a child approaches enrollment and static investment options that keep the same allocation over time, including the **University of Alaska Portfolio** (Alaska 529 only).

Alaska's 529 Education Savings Plan



- The University of Alaska Portfolio is unique nationally, offering a **tuition value guarantee (TVG)** if used at the University of Alaska. The TVG is a supplemental contribution made by the Trust to compensate for any earnings shortfall over tuition inflation.
- The **University of Alaska Portfolio** is the preferred investment option for approximately 22% of Alaska 529 account holders and predisposes beneficiaries to enroll within the UA system. It is also the default option for those who check the box on their PFD application.
- Though the Trust is a catalyst for enrollment at UA, accounts can be used for various qualified expenses and to attend vocational/technical, apprenticeship programs, colleges/universities, graduate programs, and continuing education nationwide.

Investment in the University of Alaska



- The Trust rolled out a comprehensive communications campaign* to non-resident 529 beneficiaries in its three 529 plans to:
 - Highlight benefits available for account holders and beneficiaries. Qualified beneficiaries and account holders can receive in-state tuition and an application fee waiver when applying to a UA System university.
 - Communicate to approximately 50,000 near-enrollment beneficiaries ages 15-19 with grade-relevant resources and communications sent each quarter from 9th through 12th grade.
 - Communicate with roughly 15,000 adult beneficiaries ages 25-55 with a message about distance learning at UA.

Participants enrolled in plans offered by the Trust spend roughly \$20M annually at the universities

*Funded by the Education Trust of Alaska

Incentivizing Savings Behaviors



- Launched in April 2022, the **Dash to Save™** and **Dash to Save More™** programs offer unique benefits not found elsewhere in the United States.
- New Alaska 529 accounts opened with a minimum investment of \$25 will receive a \$250 incentive contribution.
- An additional \$100 will be added to accounts registered to receive systematic contributions through direct deposit or automatic monthly contributions (AMC).

Simplifying Saving



- For more than 32 years, Alaska 529 has partnered with the **Alaska Department of Revenue, PFD Division**, to include a voluntary election on the PFD application directing 50% of the applicant's PFD to one or more Alaska 529 accounts.
 - 100% of a PFD can be contributed using Direct Deposit
 - The \$25,000 scholarship account giveaway has positively incentivized checking the box
 - Roughly 13,000 individuals contributed part or all of their PFD to an Alaska 529 account in 2022

Advancing Alaska's Workforce



*Tax credit incentives that promote employer contributions into the retirement plans of employees have proven to be an effective method to increase retirement savings. We believe employers could have a broader impact on the long-term financial wellness of Alaskans if they are given a role in assisting and accommodating participation in a 529 plan.**

Expanding awareness about Alaska 529 as a benefit in the workplace.

- Employers can offer Alaska 529 via **Direct Deposit** to employees at no cost to the employer
- The workplace is often where Alaskans make decisions about saving
- Education benefits serve as a strong recruitment and retention tool
- Employers can leverage the 529 to fund additional training and provide incentives to employees

*National Association of State Treasurers & College Savings Plans Network Advocacy Priorities

Advancing Alaska's Workforce



*Although 529 plans may be used for many certificate programs and qualified apprenticeship programs, meaningful gaps remain. We support legislation that would **expand the use of a 529 account to recognized postsecondary credential programs** under the Workforce Innovation and Opportunity Act. The programs included in this initiative provide the basis for developing competencies in many of the technical skills and jobs that employers find increasingly difficult to fill.**

Supporting Apprenticeships and Workforce Development.

- 529s can be used for vocational, technical, and apprenticeship expenses
- Partnered with Alaska Safety Alliance to offer scholarships for future UA apprentices
- Continued support of **AlaskaCan!** Annual Conference which focuses on increasing the number of Alaskans with any credential past high school

*National Association of State Treasurers & College Savings Plans Network Advocacy Priorities



In November 2022, the T. Rowe Price College Savings Plan received a "Silver" rating from Morningstar--a respected independent investment research firm.

Alaska 529 & the T. Rowe Price College Savings Plan ranked #1 for performance for the one-, three-, and five-year periods in the December 2022 SavingforCollege.com 529 Plan Performance Rankings. The plans also ranked #2 for performance in the ten-year period. This ranking demonstrates strong investment returns relative to other direct-sold 529 savings plans across the country.



UA SCHOLARS

www.alaska.edu/scholars



Purpose of the UA Scholars Program

The UA Scholars Award was established in 1999 to provide an incentive for Alaska's middle and high school students to achieve academic excellence, to nourish the efforts of schools to provide high-quality education and to encourage the top high school graduates from every community in Alaska to attend a university in the University of Alaska system.

UA Scholars enrich the academic environment at UA. They represent all the corners of the state and serve as ambassadors between their community and the universities.

In 1998, before the program existed, the system captured approximately 10 percent of the top 10 percent of Alaska's high school graduates.

The **\$12,000 UA Scholars Award** is offered to Alaska high school students in the top 10% of their class at the end of their junior year, as determined by their school.

The Award may be used at any location in the University of Alaska system and is distributed in the amount of **\$1,500** per semester for eight semesters, provided the Scholar remains eligible.

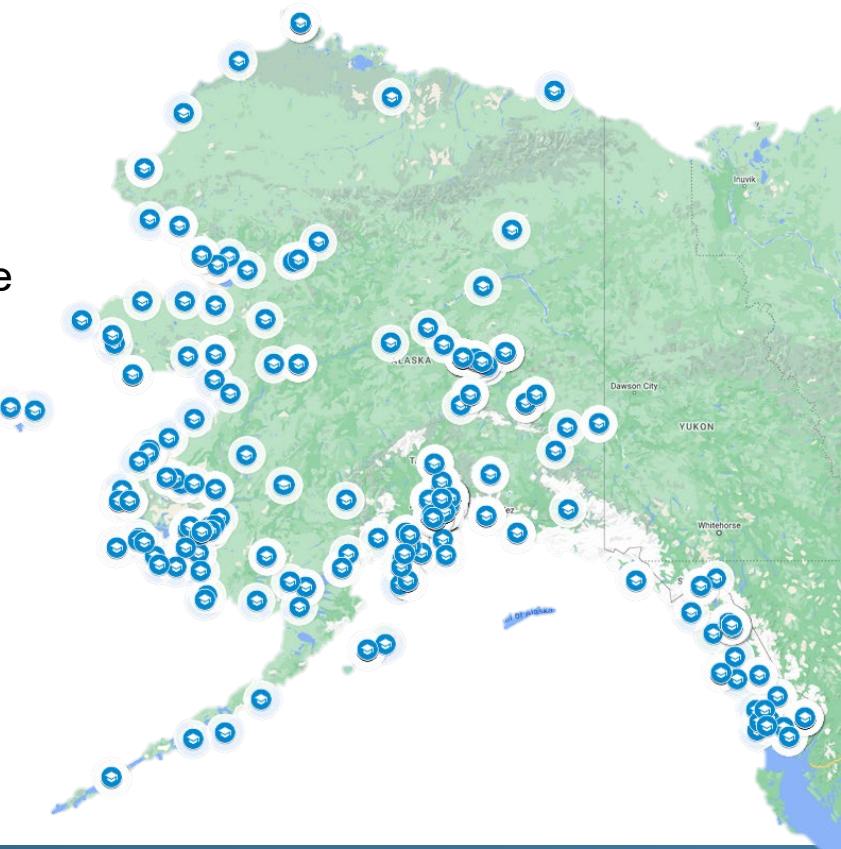
Eligible expenses include undergraduate tuition, fees, room, board, books, supplies, qualified study abroad, national student exchange, and other costs incurred for attendance at the University of Alaska.

Students are designated by their high school based on their academic standing at the end of their junior year.



UA Scholars add geographic, academic, and cultural diversity to the universities.

The University of Alaska Land Grant Trust Fund is the source of funding for the scholarships. The endowment receives revenue from property sales and resource development conducted on Trust lands.



7 AMAZING FACTS ABOUT THE UA SCHOLARS PROGRAM

2. Thousands Benefit

More than 8,900 students have benefited from the UA Scholars program



1. 23 Successful Years

For 23 years this program has attracted top students to the University of Alaska system



3. Millions Awarded

UA has paid \$70 million in scholarship awards through the UA Scholars program



4. Graduation Rate

UA Scholars' 6-year graduation rate is nearly double the graduation rate of all first-time students



5. Degrees Awarded

More than 7,050 degrees and certificates have been awarded to UA Scholars.



6. First-Generation

At least 4,000 UA Scholars reported they were the first in their family to attend college



7. Remaining in Alaska

UA now attracts an average 39% of Alaska's top high school graduates, compared to 10% before the program started



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While the UA Scholars Award no longer covers 100% of tuition costs, it is complemented by other aid such as the APS, AEG, UA Foundation Scholarships, 529 education savings, university enrollment scholarships, and Federal Aid.