

# Saving for the Future

A Guide For Advisors



SSGA  promise529  
POWERED BY SPDR® ETFs

Administered by  
Nevada State Treasurer



**SSGA**  **promise529**  
POWERED BY **SPDR**® ETFs

**Help your clients save today  
for tomorrow's education expenses.**

The high cost of education can be a challenge for many clients. With the **SSGA Upromise 529 Plan** you can offer your clients a realistic and affordable way to save today for future education needs.

The **SSGA Upromise 529 Plan** offers:

- A variety of investment options from State Street Global Advisors
- Valuable tax benefits<sup>1</sup>
- The use of SPDR® ETFs as the main investment vehicle for the 529 Portfolios<sup>2</sup>

In addition to the investment options managed by State Street Global Advisors, a Savings Portfolio is offered through Sallie Mae Bank.

<sup>1</sup> The availability of tax or other benefits may be contingent on meeting other requirements.

<sup>2</sup> Although they invest in ETFs and/or mutual funds, the SSGA Upromise 529 Plan Portfolios are not ETFs or mutual funds themselves. As an SSGA Upromise 529 account owner, you will own units of the portfolio, which are municipal fund securities, not shares of the ETFs or mutual funds.

## Why are 529 plans so important?

### K-12 Private School Education

A private school education may put students at an advantage for their long-term educational and professional success. However, this early advantage comes at a cost. The US national average for one year of private school tuition for elementary schools is \$9,263. In high school, that number increases to \$14,017.<sup>3</sup>

Fortunately, as of January 1, 2018, the Tax and Jobs Acts allows money saved in a 529 plan account to be withdrawn federal tax free to pay for up to \$10,000 tuition for K-12 elementary or secondary public, private or parochial schools.<sup>4</sup> In some states, there may also be additional state tax benefits for contributions made towards K-12 tuition from a 529 plan account. Conforming states may allow account holders to claim tax deductions and credit for these contributions.<sup>4</sup>

### College Education

A college graduate can earn as much as 52 percent more than a high school graduate over the course of their career and may have a significant advantage when it comes to finding employment.<sup>5</sup> In January 2017, the unemployment rate among workers with a bachelor's degree was 2.5 percent, significantly lower than the 5.3 percent unemployment rate among workers with only a high school diploma.<sup>6</sup> Despite the significant return a higher education can offer, a college degree comes with a steep price tag. According to the College Board, between 2007-08 and 2017-18, published in-state tuition and fees at public four-year institutions increased at an average annual rate of 3.2% per year beyond inflation.<sup>7</sup>

### College Education Tuition and Fees

Type of College	2016-17	2017-18	% Change
Public Two-Year In-State	\$3,470	\$3,570	2.9%
Public Four-Year In-State	\$9,670	\$9,970	3.1%
Public Four-Year Out-of-State	\$24,820	\$25,620	3.2%
Private Nonprofit Four-Year	\$33,520	\$34,740	3.6%

Source: The College Board, Annual Survey of Colleges. Trends in College Pricing 2017. Page 9. Accessed April 3, 2018 at: <https://trends.collegeboard.org/college-pricing>.

<sup>3</sup> "Average Private School Tuition Cost (2017-2018)." Private School Review, [www.privateschoolreview.com/tuition-stats/private-school-cost-by-state](http://www.privateschoolreview.com/tuition-stats/private-school-cost-by-state).

<sup>4</sup> Flynn, Kathryn. "529 Savings Plans and Private School Tuition." Savingforcollege.com, Saving for College, LLC, 15 Feb. 2018, [www.savingforcollege.com/article/529-savings-plans-and-private-school-tuition](http://www.savingforcollege.com/article/529-savings-plans-and-private-school-tuition).

<sup>5</sup> College Board, Trends in College Pricing 2017. Page 26. Accessed April 4, 2018 at: <https://trends.collegeboard.org/college-pricing>.

<sup>6</sup> "Unemployment Rate 2.5 Percent for College Grads, 7.7 Percent for High School Dropouts, January 2017." Bureau of Labor Statistics, United States Department of Labor, 7 Feb. 2017, [www.bls.gov/opub/ted/2017/unemployment-rate-2-point-5-](http://www.bls.gov/opub/ted/2017/unemployment-rate-2-point-5-)

<sup>7</sup> College Board, Trends in College Pricing 2017. Page 13. Accessed April 3, 2018 at: <https://trends.collegeboard.org/college-pricing>.

## 529 Plans Offer

- Tax deferred investment growth and withdrawals that are free from federal taxes when used for qualified education expenses<sup>8</sup>
- Flexibility to use distributions at eligible private K-12 schools (for tuition only) and at post-secondary schools across the country, including two and four-year colleges, many trade/technical institutes and graduate schools.
  - When applied towards college education, 529 distributions may be used for a variety of qualified expenses including certain room and board expenses, mandatory fees, books and supplies.
- Professional investment management
- Gift and estate tax planning
  - Contribute up to \$15,000 per beneficiary each year (\$30,000 for married couples filing jointly) without incurring federal gift-tax consequences. Clients can choose to contribute up to \$75,000 per child in a single year (\$150,000 for married couples) and take advantage of five years worth of gifts eligible for the annual exclusion from federal gift tax at one time.<sup>9</sup> (Contributions are considered completed gifts and are removed from the investors estate, but as the account owner, the investor retains control.)
- Account owner control and flexibility over how assets are used
  - Account owners decide when withdrawals are taken and for what qualified educational purpose, may change their beneficiary to an eligible member of the beneficiary's family and receive detailed quarterly statements

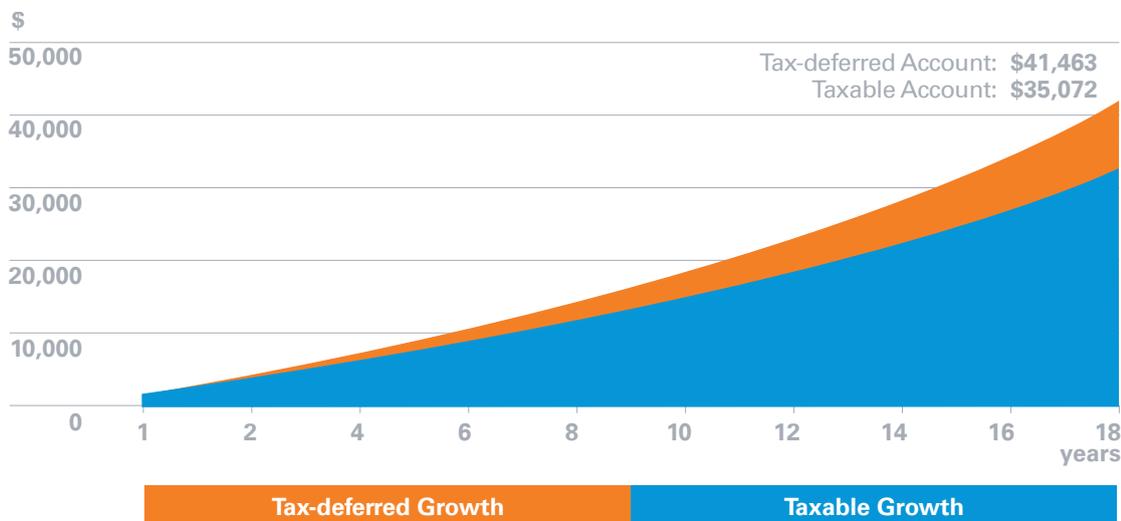
<sup>8</sup> Earnings on non-qualified withdrawals are subject to federal income tax and may be subject to a 10 percent federal penalty tax, as well as state and local income taxes. The availability of tax or other benefits may be contingent on meeting other requirements.

<sup>9</sup> In the event the donor does not survive the five-year period, a pro-rated amount will revert the donor's taxable estate. Rules regarding gifts and generation skipping transfer tax may applying the case of a change in beneficiary. You should consult with your tax advisor when considering a change in beneficiary.

One of the most important benefits of a 529 account is the tax advantages they typically offer to investors. The chart below illustrates the savings growth that is possible in a tax deferred account versus the savings growth in a taxable account.

### Tax Advantages Can Make Your Clients' Dollars Work Harder

Here is a hypothetical example of the difference between a tax-deferred account versus a taxable account.



Source: SSGA Upromise 529 Plan Website: Individual Investor. "Features & Benefits: Tax Benefits."

**Assumptions: \$2,500 initial investment with subsequent monthly investments of \$100 for a period of 18 years; annual rate of return on investment of 5 percent and no funds withdrawn during the time period specified; taxpayer is in a hypothetical 30 percent income tax bracket for all options at the time of contributions and distribution. The hypothetical returns above are for illustrative purposes only. It does not reflect an actual investment in any particular 529 plan or any taxes or penalties payable/due upon distribution.**

### SSGA Upromise 529 Plan: Affordable and Flexible for Clients

- No enrollment fee
- Open an account for as little as \$15\* per month with an Automatic Investment Plan or make an initial contribution of \$15\*
- Set up a payroll deduction plan for \$15\* or more per paycheck
- Continue to make contributions until the account balance reaches the maximum account balance limit of \$370,000
- Contribute up to \$75,000 per child in a single year (\$150,000 for electing married couples) and take advantage of five years worth of gifts eligible for the annual exclusion from federal gift tax at one time.
- Contributions are considered completed gifts and are removed from the owners estate, but the account owner retains control.<sup>10</sup>

\*A plan of regular investment cannot assure a profit or protect against a loss in a declining market.

<sup>10</sup> In the event the donor does not survive the five-year period, a pro-rated amount will revert the donor's taxable estate. Rules regarding gifts and generation skipping transfer tax may applying the case of a change in beneficiary. You should consult with your tax advisor when considering a change in beneficiary.

### **Investment Offerings**

Because your clients' investment needs vary, State Street Global Advisors and Ascensus College Savings have created a number of portfolios designed to help meet the needs of your diverse client base, with options offering varying degrees of risk, style and maturity. Each portfolio is powered by SPDR ETFs and features broad diversification, tactical asset allocation and utilization of passive exchange traded funds.

We are pleased to offer four types of investment options, the first three are managed by State Street Global Advisors and the fourth is managed by Sallie Mae Bank:

- College Date Portfolios
- Risk-Based Portfolios
- Static Portfolios
- Savings Portfolio

### **Sponsored by Two Leaders in College Savings and Investing**

#### **Ascensus College Savings**

Ascensus College Savings is a provider and administrator of 529 plans, focused on helping all American families invest for college. As a provider of 529 plan services, the company administers individual accounts for college savers and provides customized recordkeeping and administration platforms. Ascensus Broker Dealer Services, LLC is a registered broker-dealer, a member of FINRA, and is registered with the MSRB.

#### **State Street Global Advisors**

State Street Global Advisors serves governments, institutions and financial advisors with a rigorous approach, breadth of capabilities and belief that good stewardship is good investing for the long term. Pioneers in index, ETF, and ESG investing and the world's third largest asset manager, we are always inventing new ways to invest.

### Investment Options That Can React to Volatile Market Conditions

The College Date and Risk-Based Portfolios provide State Street Global Advisors with the ability to make changes to each portfolio’s asset allocation, within an allowable range, in response to changing market conditions. This dynamic investment approach provides an opportunity for the portfolio manager to add risk-adjusted returns by shifting the proportions of the asset classes within the portfolio. The proportion of the portfolio invested in each asset class will change to reflect the manager’s favorable or unfavorable views on each asset class. This approach may be helpful when certain markets are viewed as being overvalued or undervalued and can be implemented as a defensive move against downside risk when global asset correlations and volatility spike in the market place or when an asset class is perceived to be in a bubble state.<sup>11</sup>

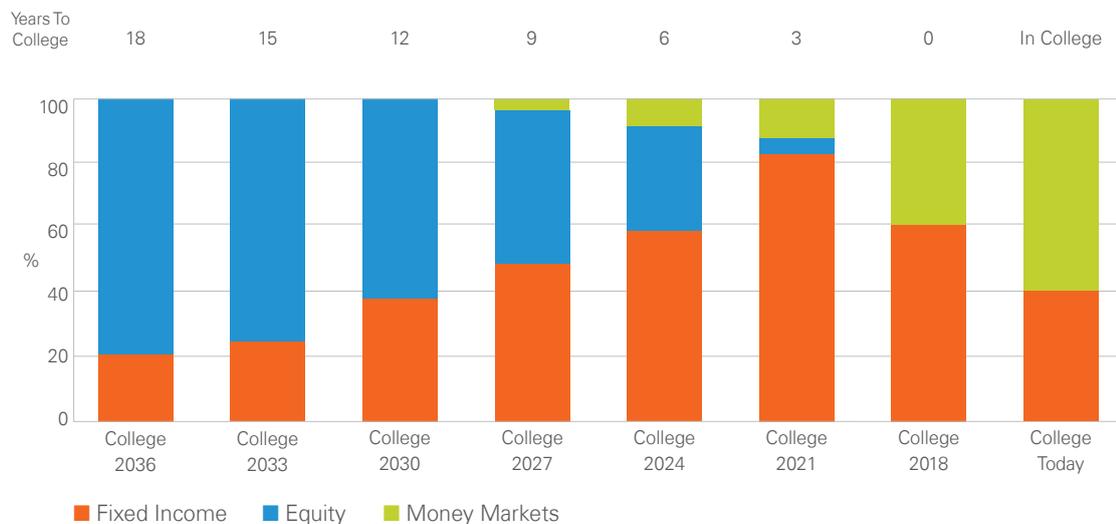
#### Powered by SPDR ETFs

The underlying funds for the investment options offered in the SSGA Upromise 529 Plan are ETFs and, where applicable, mutual funds managed by SSGA Funds Management, Inc. ETFs are a low-cost type of fund that allow for more efficient investment of account owners’ portfolios.<sup>12</sup>

### College Date Portfolios

College date portfolios are designed to make investing as easy as selecting the year in which the beneficiary is expected to start college. With a college date investment option, the portfolio’s investment track is automatically adjusted from more aggressive to more conservative as the child gets closer to the selected college start year.

College Date Portfolios Asset Allocation



Source: State Street Global Advisors, Investment Solutions Group. As of March 31, 2018.

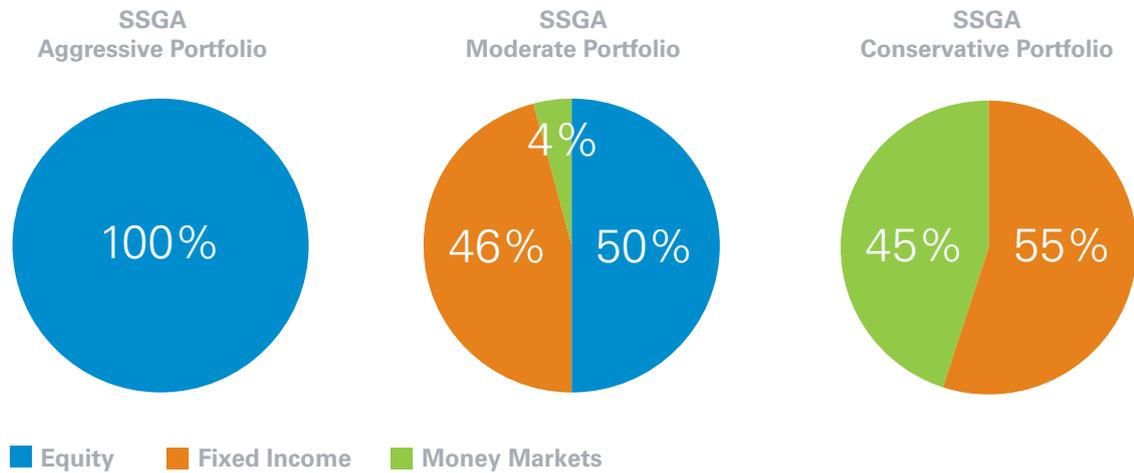
Asset Allocation is a method of diversification which positions assets among major investment categories. Asset Allocation may be used in an effort to manage risk and enhance returns. It does not, however, guarantee a profit or protect against loss. Allocations are as of the date indicated, are subject to change, and should not be relied upon as current thereafter.

<sup>11</sup> A bubble state occurs when prices of securities rise so sharply and at such a sustained rate that they exceed the fundamental valuations, making a sudden price collapse, or bubble burst, likely. (Source: SSGA)

<sup>12</sup> Although they invest in ETFs and/or mutual funds, the SSGA Upromise 529 Plan Portfolios are not ETFs or mutual funds themselves. An account owner will own units of the portfolio, which are municipal securities, not shares of the ETFs or mutual funds.

### Risk-Based Portfolios

If your client prefers to invest in strategies designed specifically to match their risk profile, risk-based portfolios may be a good fit. You can select an aggressive, moderate, or conservative track, depending on the client's risk tolerance and time horizon.



As of March 31, 2018.

Source: State Street Global Advisors, Investment Solutions Group.

Asset Allocation is a method of diversification which positions assets among major investment categories. Asset Allocation may be used in an effort to manage risk and enhance returns. Diversification does not ensure a profit or guarantee against loss. The information contained above is for illustrative purposes only.

### Static Portfolios

Static portfolios allow a client to choose from fifteen investment options to create their own personalized investment mix. Each static portfolio is invested in a single underlying ETF, giving you options across investment styles or asset classes, from equity to fixed income. Investments are made according to the specific preferences of the investor, taking advantage of the diversity of options and precision that SPDR ETFs have to offer.

SPDR S&P 500® ETF Trust Portfolio	SPDR Bloomberg Barclays Aggregate Bond ETF Portfolio
SPDR S&P MidCap 400® ETF Trust Portfolio	SPDR Bloomberg Barclays TIPS ETF Portfolio
SPDR S&P 600 Small Cap ETF Portfolio	SPDR Citi International Government Inflation-Protected Bond ETF
SPDR Dow Jones REIT ETF Portfolio	SPDR Bloomberg Barclays High Yield Bond ETF Portfolio
SPDR Dow Jones International Real Estate ETF Portfolio	SPDR Bloomberg Barclays Short Term Corporate Bond ETF Portfolio
SPDR S&P® World Ex-US ETF Portfolio	SPDR Bloomberg Barclays 1-3 Month T-Bill ETF Portfolio
SPDR S&P International Small Cap ETF Portfolio	
SPDR S&P Emerging Markets ETF Portfolio	
SPDR S&P Emerging Markets Small Cap ETF Portfolio	

### Savings Portfolio

The Savings Portfolio is a lower-risk, Federal Deposit Insurance Corporation (FDIC)-insured option for account owners seeking a conservative investment choice for their college savings. It is managed by Sallie Mae Bank. The Savings Portfolio invests 100 percent of its assets in the Sallie Mae High-Yield Savings Account (HYSA).<sup>13</sup>

### Definitions

**Qualified Educational Expenses** include amounts paid for tuition, fees and other related expense for an eligible student that are required for enrollment or attendance at an eligible educational institution.

Source: <https://www.irs.gov/Individuals/Qualified-Ed-Expenses>

**Asset allocation** is the implementation of an investment strategy that seeks to balance risk versus reward by adjusting the percentage of each asset class in an investment portfolio according to the investor's risk tolerance, financial goals and investment horizon. Downside risk is the financial risk that an investment's actual return will be below the expected return, or the uncertainty about the magnitude of that difference.

**Correlation** is the historical tendency of two investments to move together. Investors often combine investments with low correlations to diversify portfolios.

**Volatility** is the tendency of a market index or security to jump around in price. In modern portfolio theory, securities with higher volatility are generally seen as riskier due to higher potential losses.

<sup>13</sup> The HYSA is held in an omnibus savings account insured by the FDIC, which is held in trust by the Board of Trustees of the College Savings Plans of Nevada at Sallie Mae Bank. Contributions to and earnings on the investments in the Savings Portfolio are insured by the FDIC on a pass-through basis to each account owner up to \$250,000, the maximum amount set by federal law. The amount of FDIC insurance provided to an account owner is based on the total of (a) the value of an account owner's investment in the Savings Portfolio; and (b) the value of all other accounts held by the account owner at Sallie Mae Bank, as determined by Sallie Mae Bank and FDIC regulations.

## Save Today with the SSGA Upromise 529 Plan

As the cost of funding education continues to rise, the need for disciplined saving, both early and often, can be paramount. The SSGA Upromise 529 Plan can help to provide your clients with the educational savings they will need to help fund their children's education from kindergarten through college.

For more information on the SSGA Upromise 529 Plan, please call 866.967.2776 or for online enrollment visit [ssga.upromise529.com/advisor](http://ssga.upromise529.com/advisor).

## SSGA UPROMISE 529 PLAN

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#### IMPORTANT RISK INFORMATION

**State Street Global Advisors and its affiliates have not taken into consideration the circumstances of any particular investor in producing this material and are not making an investment recommendation or acting in fiduciary capacity in connection with the provision of the information contained herein.**

For more information about the SSGA Upromise 529 Plan ("the Plan") download the Plan Description and Participation Agreement or request one by calling 1-800-587-7305. Investment objectives, risks, charges, expenses, and other important information are included in the Plan Description; read and consider it carefully before investing.

Please Note: Before you invest, consider whether your client's state or the your client's beneficiary's home state offers any state tax or other state benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in that state's qualified tuition program.

The SSGA Upromise 529 Plan (the "Plan") is administered by the Board of Trustees of the College Savings Plans of Nevada (the "Board"). Ascensus Broker Dealer Services, LLC (ABD) serves as the Program Manager. ABD has overall responsibility for the day-to-day operations, including provision of certain marketing services. State Street Global Advisors (SSGA) serves as Investment Manager for the Plan except for the Savings Portfolio, which is managed by Sallie Mae Bank, and also provides or arranges for certain marketing services for the Plan. The Plan's Portfolios invest in either (i) Exchange Traded Funds and mutual funds offered or managed by SSGA or its affiliates; or (ii) a Federal Deposit Insurance Corporation (FDIC)-insured omnibus savings account held in trust by the Board at Sallie Mae Bank. Except for the Savings Portfolio, investments in the Plan are not insured by the FDIC. Units of the Portfolios are municipal securities and the value of units will vary with market conditions.

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Investing involves risk including the risk of loss of principal. Investment returns will vary depending upon the performance of the Portfolios you choose. Except to the extent of FDIC insurance available for the Savings Portfolio, you could lose all or a portion of your money by investing in the Plan, depending on market conditions. Account Owners assume all investment risks as well as responsibility for any federal and state tax consequences.

ETFs trade like stocks, fluctuate in market value and may trade at prices above or below the ETFs' net asset value. Brokerage commissions and ETF expenses will reduce returns.

The statements and opinions expressed are subject to change at any time, based on market and other conditions. State Street cannot guarantee the accuracy of completeness of third party statements or data.