

Maryland529

Maryland Senator Edward J. Kasemeyer Prepaid College Trust
Maryland Senator Edward J. Kasemeyer College Investment Plan

Information Session



Why Save for College?



SAVING

A family choosing to invest about **\$86 per month for 15 years** in a 529 plan would have made a total out-of-pocket investment of about \$15,500.

With potential earnings, this could amount to \$25,000 to use toward college expenses. A hypothetical 6% annual return is assumed.

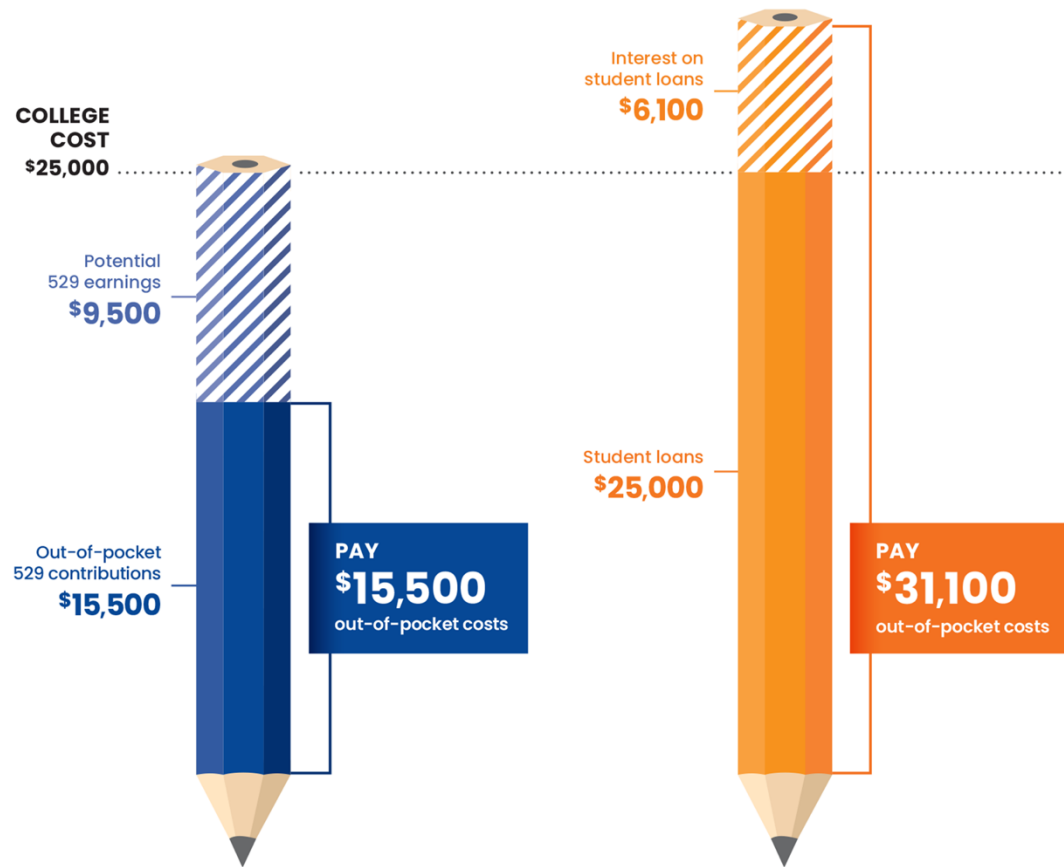
vs.



BORROWING

A family choosing to borrow might pay about **\$259 per month over 10 years** for a total out-of-pocket cost of nearly \$31,100 for \$25,000 in loans.

This assumes a 4.53% interest rate on subsidized Federal direct undergraduate loans, which do not accrue interest during college.



**By saving early, you could pay
\$15,600 less out-of-pocket**

This chart is for illustrative purposes only and does not project or predict the return of any specific investment option. Returns in a college savings plan will vary and may be higher or lower than in this example. Making automatic monthly contributions does not assure a profit or protect against loss in a declining market. This example does not consider any investment or loan origination fees. Amounts are rounded. The loan interest rate is based on a Federal direct undergraduate loan disbursed in July 2018. Other loan arrangements could have different rates or terms.



Maryland 529 Overview

An independent, non-profit Maryland State Agency, overseen by a 11-member Board, that offers two 529 college savings plans to help families prepare for the future cost of education and reduce potential debt.



Maryland Prepaid College Trust (MPCT)

Contract plan that allows you to prepay college Tuition managed by Intuition College Savings Solutions, LLC



Maryland College Investment Plan (MCIP)

Offers a broad range of investment options. The plan is managed by T. Rowe Price, an investment management firm with more than 80 years of experience

BOTH PLANS


- You can “**Save here, and go anywhere**”. Savings can be applied to any U.S. college, even international universities that have a federal school code.
- Offer State and federal tax incentives:
 - Any investment growth is tax-deferred at the State and federal level
 - Any earnings are Maryland and federally tax-free* when funds are used for eligible Qualified Education Expenses

**There may be tax implications for Maryland taxpayers that take a distribution for the education loan of a sibling of the Beneficiary. Check with your tax professional.*



QUESTION:

How does each plan work?



Maryland Prepaid College Trust (MPCT)

The freedom to secure tomorrow's college Tuition at today's prices.

- Purchase one semester up to four years.
- Your Benefits can be used both in or out of State.
- Your payments may be eligible for a Maryland State income tax deduction of up to \$2,500 per year, per Account.
- It's backed by a **Maryland Legislative Guarantee.**





MPCT Benefits

Full MPCT Benefits generally pay for Tuition and Mandatory Fees for the Tuition plan that you purchased, provided:

- the Beneficiary enrolls in college as a half-time or full-time student;
- at least 3 years have passed since you purchased your MPCT contract; and
- all payments have been satisfied.

Covered Expenses:

- If your Beneficiary attends a **Maryland Public College**, the MPCT will pay the full in-state or in-county Tuition and Mandatory Fees at that college.
- If your Beneficiary attends an eligible **private or out-of-state college**, the MPCT will pay the actual Tuition each semester (or the equivalent) up to a maximum of one half of the **Weighted Average Tuition** in the Tuition plan you purchased OR your **Minimum Benefit**, whichever is greater. You would then have to make up any difference.



Maryland College Investment Plan (MCIP)

The freedom to choose how much and how often you want to invest based on your budget and education savings goals.

- \$25 to open an Account
- Variety of Investment Options
- Managed by T. Rowe Price
- No loads, sales charges, commissions, enrollment fees, or annual Account fees
- Your payments may be eligible for a Maryland State income tax deduction of up to \$2,500 per year, per Beneficiary.
- Received Morningstar's Silver rating¹
- Direct deposit from your bank account or payroll deduction (if offered by employer)



¹ See last page



MCIP

Ways to Use the Funds:

- 4-year Colleges and Universities (In-State or Out-of-State)
- 2-year Community Colleges
- Trade or Technical Schools
- Certified Apprenticeship Programs - fees, books, supplies, and equipment
- K-12* public, private, or religious school
 - Limited to \$10,000 per year, per Beneficiary for Tuition
- Any Qualified Education Expense of the Beneficiary, outlined by the IRS Publication 970. For higher education, generally includes Tuition, room & board, fees, books and supplies

**While distributions from 529 college savings plans for elementary or secondary education tuition expenses are federally tax-free, state tax treatment will vary and could include state income taxes assessed, the recapture of previously deducted amounts from state taxes, and/or state-level penalties. You should consult with a tax or legal professional for additional information.*



QUESTION:

What are the State tax benefits unique to Maryland 529?

ANSWER: Maryland State Income Deduction

MPCT:

- Deduct up to \$2,500 from your Maryland adjusted gross income per Account each year.
- Payments in excess of \$2,500 per Account can be carried forward and deducted in future years until the full amount has been deducted.

MCIP:

- Deduct up to \$2,500 from your Maryland adjusted gross income per Beneficiary each year.
- Payments in excess of \$2,500 per Beneficiary can be carried forward and deducted for up to the next 10 years.

The example on the right is based on Parent 1 opening an MCIP and MPCT plan for a single Beneficiary and Parent 2 making an additional contribution to both plans.



Two Available Plans: Maryland College Investment Plan (MCIP) and Maryland Prepaid College Trust (MPCT)

Eligibility: Each family member who opens a new Account **or** contributes to an existing Account may be eligible for income deductions.

Plans

Parent 1
Account
Holder



Parent 2
Account
Contributor



Estimated
Tax Saving

Contributions: Contribute to both plans to increase income deductions.

MCIP

\$2,500

\$2,500

\$190* x 2

MPCT

\$2,500

\$2,500

\$190* x 2

Deductions: Deduct up to \$2,500 for each beneficiary in MCIP plan and/or each MPCT contract. Deductions apply to Maryland taxable income for the parent's contributions in that tax year.

\$5,000

\$5,000

\$760

\$10,000

combined annual
income deduction**

\$760

total State and
local tax savings on
\$10,000 deduction

*Note that this is a hypothetical scenario assuming a 7.6% State and local tax rate with no federal deduction. The amount of savings from your income deduction may vary. **Account Holders and contributors can each deduct contributions regardless of their marital status or tax filing status (individual or joint). A contributor need not be a parent or family member of the beneficiary to be eligible for the income deduction.

Account Holders and Contributors are eligible for the Maryland income deduction on contributions they make.

If you received a Save4College State contribution in a given tax year however, you are not eligible to receive Maryland State income deductions for contributions to any MCIP Account made in that same year.

*Maryland 529 cannot and does not provide tax advice. Your tax consequences depend on your individual circumstances. If you withdraw funds that are not used for Qualified Education Expenses, any earnings may be subject to income taxes and a 10% federal penalty. In addition, there may be state tax consequences; state tax laws and treatment may vary. So, check with your tax professional regarding your specific situation.



QUESTION:

Are there age or residency restrictions? When can I open an Account or enroll?

ANSWER: Age, Residency, and Enrollment vary by plan

MPCT

MCIP

Age

Open to 12th graders or younger, including newborns

Open to adults or children of any age, even before they are born

Residency

Either the Account Holder or child must reside in Maryland or DC at the time of enrollment

No Maryland or DC residency requirements

Enrollment Period

**2021-2022 Enrollment Period:
December 1, 2021 – June 30, 2022**

Enrollment open year-round if your child is under age 1, or if you already have a Maryland 529 Account.

Enrollment open year-round



You may choose either plan – or both



QUESTION:

Would I lose my savings if my student doesn't go to college or gets a scholarship?

ANSWER: You have options.

MPCT

- Apply to cover other eligible expenses – books, room & board
- Defer use until graduate school
- Transfer to a Member of the Family of the Beneficiary
- Transfer to MCIP
- Request a Refund*

MCIP

- Apply to cover other eligible expenses – books, room & board
- Defer use until graduate school
- Transfer to a Member of the Family of the Beneficiary, including yourself
- Take a Distribution*

**There may be federal and/or state tax effects. Please consult with your tax professional before taking a distribution or receiving a refund in these cases.*



QUESTION:

What is the State Contribution Program, and do I qualify?

ANSWER: State Contribution Program

The Save4College State Contribution Program is designed to help lower to middle-income families in Maryland save money for higher education.

- Individuals who open or have opened a new Maryland College Investment Plan Account* after December 31, 2016, submit an application from January 1 through May 31, 2022, and make at least the minimum contribution** to the Account, may receive a \$250 or \$500 contribution by the State.

MARYLAND TAXABLE INCOME			
Individual	Joint	Minimum Contribution	State Contribution
\$49,999 or less	\$74,999 or less	\$25	\$500
\$50,000 – \$87,499	\$75,000 – \$124,999	\$100	\$500
\$87,500 – \$112,500	\$125,000 – \$175,000	\$250	\$250

*If you have a closed/zero balance Account (for more than 24 months) and open a new Account for the same Beneficiary, you may apply for the State Contribution Program for that Account.

**Annual limit of two State contributions per Beneficiary, regardless of Account Holder and lifetime maximum of \$9,000 per Account Holder.

State Contribution Program

The Account Holder and Beneficiary must be a Maryland resident.



You must make the minimum contribution no later than **NOVEMBER 1.**



The Account Holder's Maryland taxable income in the previous taxable year cannot exceed



\$112,500

as an individual



\$175,000

as a married couple filing jointly

- If you file Maryland taxes, you must file your State taxes by July 15, regardless of other extensions that may be available, in order to be considered for the State Contribution.
- State contribution recipients cannot take an Income Tax Deduction.
- Please note the Maryland General Assembly may impose other program requirements or restrictions at any time.
- State Contributions are not guaranteed and funding for contributions is limited to a certain amount each fiscal year.



Visit Maryland529.com/Save4College



QUESTION:

How do I open an Account
or enroll?

ANSWER: Online or by Paper

MPCT

- Step 1** Select a Tuition Plan
- Step 2** Select a Payment Option
- Step 3** Enroll online at



Maryland529.com

**2021-2022 Enrollment Period:
12/1/21 – 6/30/22**



Please read the applicable Plan's Disclosure Statement in full before deciding to open an Account.

MCIP

- Step 1** Choose one or more investment options
- Step 2** Choose how much and how often you want to contribute
- Step 3** Apply online at



Maryland529.com

-or-

Complete a paper enrollment form for each child

Open an Account any time.

Questions? Contact Us

Maryland Senator Edward J. Kasemeyer Prepaid College Trust

Maryland Senator Edward J. Kasemeyer College Investment Plan

Maryland529.com/Contact-Us

888.4MD.GRAD (463.4723)

Enrolling in the Maryland 529 Plans is an important decision for you and your family. The Maryland Senator Edward J. Kasemeyer Prepaid College Trust and Maryland Senator Edward J. Kasemeyer College Investment Plan Disclosure Statements provide investment objectives, risks, expenses and costs, fees, and other information you should consider carefully before investing. If you live outside of Maryland, you should consider any college savings program offered by your home state or your Beneficiary's home state prior to making a decision to invest in the Maryland 529 Plans. The home state may offer state tax or other state benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in such state's 529 plan. T. Rowe Price Investment Services, Inc., Distributor/Underwriter, Maryland Senator Edward J. Kasemeyer College Investment Plan.

¹ Morningstar analysts reviewed 62 plans for its 2021 ratings (10/26/21) of which 11 plans received a "Silver" rating. To determine a plan's rating, Morningstar's analysts organized their research around four key pillars: Process, People, Parent, and Price. Plans were then assigned forward-looking ratings of "Gold," "Silver," "Bronze," "Neutral," and "Negative." Each year, certain of the industry's smallest plans are not rated. Visit this site, https://www.morningstar.com/content/dam/marketing/shared/pdfs/Research/Morningstar_Analyst_Rating_Methodology_071020.pdf for additional information about Morningstar's methodology.

Analyst Ratings are subjective in nature and should not be used as the sole basis for investment decisions. Analyst Ratings are based on Morningstar analysts' current expectations about future events and therefore involve unknown risks and uncertainties that may cause Morningstar's expectations not to occur or to differ significantly from what was expected. Morningstar does not represent its Analyst Ratings to be guarantees. © 2021 Morningstar, Inc. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

Tax benefits may be conditioned on meeting certain requirements, such as residency, purpose for or timing of distributions, or other factors, as applicable.

State Contributions are limited to two per beneficiary, per year and will be awarded on a first come, first serve basis if eligibility requirements are met. Annual funding for the State Contribution is limited and as with the entire State budget, the Maryland General Assembly has final approval. If resources are insufficient to fully fund all eligible accounts, Maryland 529 shall provide contributions in the order in which applications are received in good order and give priority to applications of Account Holders who did not receive a State Contribution in any prior year. If you receive a State Contribution for any Account in a given year, you are not eligible in that year for the income deduction on your State taxes for contributions that you made to that or any other Maryland College Investment Plan Account. You should check with your tax professional regarding your specific situation.