

3RD QUARTER 2020

## 2020 Contribution Deadline December 31<sup>st</sup>

This year has certainly been one that we will all remember. As we begin to think about saying goodbye to 2020 with the hopes of a fresh start in 2021, don't forget that December 31<sup>st</sup> is the deadline to make contributions to CollegeCounts to qualify for the Alabama state income tax deduction. Alabama taxpayers can deduct up to \$5,000 in contributions each year (\$10,000 if married, filing jointly and both spouses contribute)<sup>1</sup>. Contributions can be made online at any time by logging into your account at **CollegeCounts529.com**. Checks, payable to CollegeCounts, can also be mailed to us with a 2020 postmark to qualify for the deduction. Contributions received after January 1, 2021 that have a 2020 postmark will be invested on the date received with the transaction description of "Prior Year Contribution". Make your contributions now to avoid missing the December 31<sup>st</sup> deadline.

If you intend to make a large contribution to an account as a gift for Federal Gift Tax purposes, we recommend that you make your contribution online or mail your check by December 23<sup>rd</sup>. It is our understanding that a contribution must clear the bank account it is drawn from by December 31<sup>st</sup> to qualify as a gift for 2020. The Federal Gift Tax limit is currently \$15,000 per year for individuals and doubles to \$30,000 per year for married couples. If you are considering making a gift to a beneficiary, we strongly encourage you to discuss your plans with your tax professional to learn more about any tax filings that may be required.

## Rollover Contributions

Do you have a 529 account in another state's plan? Request a rollover to CollegeCounts to take advantage of the Alabama state income tax deduction. It is our understanding that the full amount of the rollover can be deducted up to the \$5,000 limit for individuals (up to \$10,000 if married filing jointly and both spouses contribute)<sup>1</sup>. The IRS allows only one rollover every twelve months and the process can take two to four

weeks to complete. The rollover check must be postmarked in 2020, so complete the Rollover Form now to get started well-ahead of the December 31<sup>st</sup> postmark deadline. We encourage investors to reach out to the other plan to determine if there are any fees or penalties associated with requesting a rollover out of the plan.

## CollegeCounts Scholarship Application

Calling all Alabama high school seniors and families! Mark your calendars! The CollegeCounts Scholarship application will be open from December 1, 2020 through February 25, 2021. The goal of the CollegeCounts Scholarship is to assist Alabama students who pursue a higher education at an Alabama college or university achieve their higher education dreams. Awards of up to \$4,000 are available to students who attend a four-year college or university. Awards of up to \$2,000 are available to students who attend a two-year college. If you know a current high school senior or someone who will be a first-time college freshman in fall 2021, encourage them to review the eligibility requirements at **treasury.alabama.gov/collegecounts-scholarship**.

## CollegeCounts Holiday Gift Idea

As the holidays approach, remember to suggest the gift of education for your beneficiary's wish list. It's easy for your family members and friends to make a contribution to your CollegeCounts account through GiftED. Simply log into your account to send an email invitation to those who may be interested in making a contribution as a gift for the holidays, a birthday or another special occasion. The contributor has the option to make a contribution electronically or by mailing a check. GiftED is a convenient way for others to give a gift to your beneficiary that will make a difference in their future education goals. Learn more at **CollegeCounts529.com/plan-benefits/make-a-gift** and then log in to get started.



## Withdrawals for 2020 Expenses

Remember to request withdrawals for 2020 qualified expenses<sup>2</sup> prior to December 31<sup>st</sup>. It is our understanding that expenses and withdrawals should be matched in the same calendar year for tax purposes. You can find a lot of helpful information about withdrawals from an account at the following link of our website: [CollegeCounts529.com/plan-benefits/use-of-funds/](https://CollegeCounts529.com/plan-benefits/use-of-funds/)

Helpful tip: Many colleges issue tuition invoices for the spring semester in December. If the due date for the payment is in January or February, we recommend waiting until after January 1<sup>st</sup> to request the withdrawal from your account in order to match your withdrawal with the calendar year that the expense will be incurred by the student. Check with your tax professional for guidance and advice.

## 2020 Babypalooza Expo Tour

CollegeCounts has been a proud sponsor of Babypalooza for a number of years. The Babypalooza Expos were rescheduled due to the pandemic and we are excited to support the events as they start back up this fall. All events will be held virtually and participants have the opportunity to interact just as they would in person – all from the comfort of their home! We would love to visit with you during one of the Babypalooza Expos to answer any questions you have about saving for college for your growing family. We will also be giving away a contribution to a CollegeCounts account to one lucky attendee of each virtual event!

Be sure to visit [Babypalooza.com/virtual-baby-expo/](https://Babypalooza.com/virtual-baby-expo/) to check the most current dates and times for expos in the Montgomery, Birmingham, Huntsville, and Mobile regions. Please know dates are subject to change.

An investor should consider the investment objectives, risks, and charges and expenses associated with municipal fund securities before investing. This and other important information is contained in the fund prospectuses and the CollegeCounts 529 Fund Program Disclosure Statement (issuer's official statement), which can be obtained by calling 866.529.2228 and at [CollegeCounts529.com](https://CollegeCounts529.com) and should be read carefully before investing. You can lose money by investing in a portfolio. Each of the portfolios involves investment risks, which are described in the Program Disclosure Statement.

An investor should consider, before investing, whether the investor's or designated beneficiary's home state offers any state tax or other benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in such state's 529 plan. Investors should consult a tax advisor.

The CollegeCounts 529 Fund is a qualified tuition program under Section 529 of the Internal Revenue Code that is offered by the State of Alabama, administered by the Board of Trustees of the ACES Trust Fund (the "Trust" and plan issuer).

<sup>1</sup> Individuals who file an Alabama state income tax return are eligible to deduct for Alabama state income tax purposes up to \$5,000 per tax year (\$10,000 for married taxpayers filing jointly if both contribute) for total combined contributions to the Plan and other State of Alabama 529 programs. The contributions made to such qualifying

## Financial Planning Month

October is "Financial Planning Month". Take some time this month to look at your financial well-being. What accomplishments can you celebrate from the last year? What are the goals or adjustments you want to set for the year ahead? CollegeCounts is proud to be part of your overall personal financial plan and we want to help you and your beneficiary succeed. Here are a few ideas to consider for your CollegeCounts account:

- Start or increase Automatic Investment Plan contributions
- Make a year-end contribution now rather than waiting until December
- Name or update the Successor Account Owner for your account
- Sign up for E-delivery of statements and program documents

As you review your overall financial well-being, here are some additional items for consideration:

- Save for retirement (if your employer offers a contribution match, take advantage!)
- Create a holiday spending budget and stick to it
- Trim your monthly budget and put extra money into savings
- Pay off credit card bills or make an extra payment
- Talk to your tax professional about how you can potentially save on taxes

If you need assistance, reach out to a licensed financial advisor for guidance.

CollegeCounts wishes your family a happy and healthy holiday season!

plans are deductible on the tax return of the contributing taxpayer for the tax year in which the contributions are made. In the event of a Nonqualified Withdrawal from the Plan, for Alabama state income tax purposes, an amount must be added back to the income of the contributing taxpayer in an amount of the Nonqualified Withdrawal plus ten percent (10%) of such amount withdrawn. Such amount will be added back to the income of the contributing taxpayer in the tax year that the Nonqualified Withdrawal was distributed. Please consult with your tax professional.

<sup>2</sup> Withdrawals used to pay for qualified higher education expenses are free from federal and Alabama state income tax. Qualified higher education expenses include tuition, fees, books, supplies, and equipment required for enrollment or attendance; certain room and board expenses incurred by students who are enrolled at least half-time; the purchase of computer or peripheral equipment, computer software, or Internet access and related services if used primarily by the beneficiary during any of the years the beneficiary is enrolled at an eligible educational institution; and certain expenses for special needs services needed by a special needs beneficiary. The earnings portion of a non-qualified withdrawal is subject to federal income tax and 10% federal penalty tax. In addition, Alabama provides in the event of a non-qualified withdrawal an amount that must be added back to the income of the contributing taxpayer. The amount to be added back will be the amount of the nonqualified withdrawal plus 10% of the amount withdrawn.