MESP WORKPLACE SAVINGS

BRIGHT FUTURES BUILT IN MICHIGAN

Michigan Education Savings Program

WHAT IS MESP?

The Michigan Education Savings Program (MESP) is the state sponsored 529 direct sold college savings program. MESP is a simple way for families to save for a loved ones higher education expenses.

Similar to how a 401(k) plan is used to save for retirement, a 529 account is a tax-advantaged way to save for higher education.

529 PLANS OFFER MANY ADVANTAGES

TAX-FREE

Contributions grow tax-deferred, meaning potentially bigger gains over time. Withdrawals are tax-free when the money is used for qualified higher education expenses.

FLEXIBLE

Funds can be used at eligible schools nationwide. So whether the beneficiary wants to be a rocket scientist, welder or chef, he or she is covered.

ACCESSIBLE

Anyone who is a U.S. citizen or resident alien and at least 18 years old who would like to contribute on behalf of a beneficiary (the person for whom you are contributing money, including a minor child, a spouse or yourself) can establish a 529 account.

VALUABLE

529's can be used to cover a range of expenses, including mandatory fees, books, supplies, and equipment required for enrollment or attendance, along with certain room-and board costs.

MYTHS AND MISCONCEPTIONS ABOUT 529 SAVINGS PLANS

529 savings plans are only for in-state, public colleges or universities.

FALSE Funds can be used to send your children, grandchildren, other loved ones, or even yourself to any accredited public or private U.S. college or university —or two-year technical or vocational institution— as well as qualifying international institutions.

I must open a 529 account in the state where I live.

FALSE You can invest your money in almost any state's 529 plan, the majority of which have no residency requirements. Before investing in a particular plan, you should consider whether the state in which you or your designated beneficiary reside or have taxable income offers any specific benefits. Some states, including Michigan, allow you to deduct contributions from your taxable state income, giving you a financial incentive to invest in your home state plan.

If I save in a 529 plan my child will not get Financial Aid.

FALSE Money saved in a 529 plan does not disqualify students for financial aid. Actually, 529 assets are typically treated as belonging to the parent (or grandparent, etc.) and count less in Expected Family Contribution (EFC) calculations than assets held in the child's name.

My beneficiary gains control of the money when he or she gets to be college age.

FALSE The account owner (you) is always in charge. This means you control the funds in any 529 account you open. The beneficiary cannot withdraw money or change investment options.

My 529 account can never lose value.

FALSE Like any investment, a 529 account can gain or lose value over time. To help protect your investment, many plans offer an age-based or enrollment year option that automatically moves your money into more conservative allocations as your beneficiary gets closer to attending college. This option may help your account preserve its principal and earnings. However, it still isn't a guarantee that your account won't decline in value.

FAQS ABOUT 529 COLLEGE SAVINGS PLANS

Can more than one person contribute to the account?

Anyone can contribute to an account as long as the maximum account balance does not exceed the per-beneficiary threshold set by the sponsoring state. The account owner has sole control over the assets and decides when to withdraw them.

Can I change the beneficiary?

You can change your beneficiary at any time or transfer a portion of your investment to a different beneficiary. To maintain the tax benefits, the new beneficiary must be an eligible member of the previous beneficiary's family under the IRS definition, such as a sibling, an aunt, a stepchild, a first cousin or a spouse.

What if my child/beneficiary decides not to attend college?

You have three choices:

1. Keep the funds in the account, and the investments will be available in future years for a sibling or other designated family member.
2. Change the beneficiary to an eligible family member. Consult your tax advisor about whether this may create a taxable gift.
3. Make a non-qualified withdrawal. You can withdraw your principal contributions without a penalty, but any earnings will be subject to applicable state and federal taxes, plus a 10% federal penalty.

What if my child/beneficiary gets a full or partial scholarship?

If your child receives a scholarship that covers the cost of qualified higher education expenses, you can withdraw funds up to the scholarship amount without any penalty. However, you'll have to pay federal and sometimes state income taxes on the earnings portion of the withdrawal.

If I open an account in my state, then move to another state, what will happen to the account?

If you move to another state, you can keep your money invested in your account, and continue contributing to it.

Questions? MESP College Savings Specialists are here to help!

Monday through Friday, 8am to 8pm EST
1-877-861-6377

Learn more about saving for education and MESP. Access FAQs, explore investment options, use college savings tools and more at **MIsaves.com**

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