

# Small Steps to Big College Dreams.



## BUILDING BLOCK #2

### Open and Connect Your Own College Savings Account

## College Savings Account Options

### CHOOSING THE ACCOUNT THAT'S RIGHT FOR YOU AND YOUR FAMILY

College savings are an important piece of every family's financial plan. There are many ways to save for college and many different kinds of college savings accounts. The Save for College Program provides an opportunity for you to open one of two college savings account options that can be connected to your child's scholarship account:

- 1 NY'S 529 COLLEGE SAVINGS PROGRAM *DIRECT PLAN ACCOUNT***  
(a type of investment account specifically created to help families save for college and career training)
- 2 AMALGAMATED SAVE FOR COLLEGE BANK ACCOUNT**

These are not the only ways to save for college. However, the specific features and benefits provided by the Save for College Program for college savings accounts are available only for these two options.

*NYC Kids RISE does not provide investment advice or recommend any particular kind of college savings account. Every family's financial circumstances are different, and you should consider your own circumstances before saving or investing. You may wish to explore other alternatives, such as 529 plans offered by other states and savings accounts offered by other banks, to see if they might be a better fit for you and your family.*

As you explore these college savings account options, we encourage you to become familiar with two main kinds of accounts: a 529 account and a bank account. Below is a chart with common questions you may have about these two types of accounts.<sup>1</sup>

<sup>1</sup> This information applies to the accounts you can link to your child's scholarship account. It also applies to other 529 plans and bank accounts that you may find on your own.

## COLLEGE SAVINGS 101: 529 ACCOUNTS VS. BANK ACCOUNTS

QUESTION	529 ACCOUNT	BANK SAVINGS ACCOUNT <sup>2</sup>
<p><b>1) What is it?</b></p>	<ul style="list-style-type: none"> <li>A 529 account is a type of investment account created to help families save for college and career training.</li> <li>The NYC Scholarship Accounts are invested in a 529 account.</li> <li>Money in a 529 account can grow over time, but it can also lose value.</li> <li>Money in this account grows tax-free, and earnings are tax-free upon withdrawal if used for qualified higher education expenses.</li> <li>Many states also have state tax deductions or credits for deposits to 529 accounts.</li> </ul>	<ul style="list-style-type: none"> <li>A savings account at a bank allows families to save safely at an insured financial institution.</li> <li>Interest can be earned on the money deposited into this account. The interest is taxable.</li> <li>Deposits in this savings account are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.<sup>2</sup></li> </ul>
<p><b>2) How can I use the savings in the account?</b></p>	<ul style="list-style-type: none"> <li>Savings can be used for “qualified higher education expenses” at Eligible Educational Institutions.</li> <li>These expenses include tuition, fees, books, supplies, and equipment required for enrollment or attendance; certain room and board expenses; and certain expenses for students with special needs.<sup>3</sup></li> <li>Money in this account can be used at most U.S. colleges, universities, graduate schools, and career training programs, and some international ones as well.<sup>4</sup></li> <li>A current list of Eligible Educational Institutions can be found online at <a href="https://fafsa.ed.gov/FAFSA/app/schoolSearch">https://fafsa.ed.gov/FAFSA/app/schoolSearch</a>.</li> </ul>	<ul style="list-style-type: none"> <li>The intent of this kind of account is for a child’s college education and not for other purposes.</li> <li>However, there are no official restrictions on how savings in this account can be used.</li> </ul>
<p><b>3) What if I need the money for an expense not related to my child’s education? For example, what if my child does not go to college?</b></p>	<ul style="list-style-type: none"> <li>You can remove your savings from the account for any reason.</li> <li>But, if that money is used for anything other than qualified higher education expenses, the earnings portion of the withdrawal may be taxed as ordinary income and families may incur a 10 percent tax penalty on the earnings.<sup>5</sup></li> <li>529 policies vary state by state.</li> <li>For example, in some states a withdrawal not used for qualified higher education expenses or a change from one state’s 529 plan to another state’s 529 plan could result in tax or other consequences.</li> <li>You can check the specific 529 plan’s website for information.</li> </ul>	<ul style="list-style-type: none"> <li>You can withdraw money from this account for any reason without paying a fee or penalty.</li> </ul>

QUESTION	529 ACCOUNT	BANK SAVINGS ACCOUNT <sup>2</sup>
<p><b>4) What are the tax benefits of this account?</b></p>	<ul style="list-style-type: none"> <li>• Money in the account grows state and federal tax-deferred, meaning earnings do not count toward your taxable income.</li> <li>• Many states have state tax deductions or credits for contributions to 529 plans.<sup>6</sup></li> </ul>	<ul style="list-style-type: none"> <li>• None.</li> </ul>
<p><b>5) How can I open this kind of account?</b></p>	<ul style="list-style-type: none"> <li>• Check the specific 529 plan's website for information about how to open an account.</li> </ul>	<ul style="list-style-type: none"> <li>• Contact the specific bank for information about how to open an account.</li> </ul>
<p><b>6) Can I transfer the money to a different child if my child decides not to go to college?</b></p>	<ul style="list-style-type: none"> <li>• Yes, you can usually change the beneficiary on this account to a "member of the family" of the beneficiary, which includes: <ul style="list-style-type: none"> <li>- A son, daughter, stepson or stepdaughter, or a descendant;</li> <li>- A brother, sister, stepbrother, or stepsister;</li> <li>- The father or mother, or an ancestor of either;</li> <li>- A stepfather or stepmother;</li> <li>- A son or daughter of a brother or sister;</li> <li>- A brother or sister of the father or mother;</li> <li>- A son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law;</li> <li>- The spouse of the beneficiary or the spouse of any individual described above; or</li> <li>- A first cousin of the beneficiary.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• As the owner of this type of account, you may use the money for any child or purpose</li> </ul>
<p><b>7) Could saving in this account affect my child's eligibility for federal and state financial aid (according to current financial aid rules, which may change over time)?</b></p>	<ul style="list-style-type: none"> <li>• Yes, possibly.</li> <li>• If your household income is less than \$50,000, savings in this account will usually not affect your child's eligibility for federal financial aid.</li> <li>• If your household income is greater than \$50,000, only a small part of the savings in this account will be counted for federal financial aid eligibility.</li> <li>• These answers may change in future years. For more detailed information on this question, visit <a href="http://nyckidsrise.org/financial-aid">nyckidsrise.org/financial-aid</a>.</li> </ul>	<ul style="list-style-type: none"> <li>• Yes, possibly.</li> <li>• If your household income is less than \$50,000, savings in this account will usually not affect your child's eligibility for federal financial aid.</li> <li>• If your household income is greater than \$50,000, only a small part of the savings in this account will be counted for federal financial aid eligibility.</li> <li>• These answers may change in future years. For more detailed information on this question, visit <a href="http://nyckidsrise.org/financial-aid">nyckidsrise.org/financial-aid</a></li> </ul>
<p><b>8) Could my eligibility for public benefits be affected by saving money in this type of account?</b></p>	<ul style="list-style-type: none"> <li>• Yes, possibly.</li> <li>• Visit <a href="http://nyckidsrise.org/public-benefits">nyckidsrise.org/public-benefits</a> to find more information on public benefits impacts.</li> <li>• For more support, call NYC Kids RISE at 833-KID-RISE (833-543-7473).</li> </ul>	<ul style="list-style-type: none"> <li>• Yes, possibly.</li> <li>• Visit <a href="http://nyckidsrise.org/public-benefits">nyckidsrise.org/public-benefits</a> to find more information on public benefits impacts.</li> <li>• For more support, call NYC Kids RISE at 833-KID-RISE (833-543-7473).</li> </ul>

QUESTION	529 ACCOUNT	BANK SAVINGS ACCOUNT <sup>2</sup>
<p><b>9) Are there any fees or penalties to remove my money from the account?</b></p>	<ul style="list-style-type: none"> <li>▪ Check the 529 plan's disclosure materials for information on any fees if you use your savings for higher education.</li> <li>▪ If the money is not used for higher education, you could pay federal, state and local income tax plus a 10% federal penalty tax, but only on the interest earned (not on all the savings in your account).</li> <li>▪ You also may need to repay the value of state tax deductions previously taken.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Contact the bank for information about any applicable fees to withdrawal from your savings.</li> </ul>
<p><b>10) How safe is the money held in this account?</b></p>	<ul style="list-style-type: none"> <li>▪ Money you invest could end up growing over time, but you could also lose money based on the economy and financial markets.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Bank savings of up to \$250,000 per depositor are protected against loss by the Federal Deposit Insurance Corporation (FDIC).</li> </ul>
<p><b>11) Are account assets protected from creditors?</b></p>	<ul style="list-style-type: none"> <li>▪ Possibly. If 529 deposits were made at least 720 days before a federal bankruptcy filing, they are fully protected and not available to creditors.<sup>7</sup></li> <li>▪ If 529 deposits were made between 365 days and 720 days before a federal bankruptcy filing, up to \$6,225 (adjusted for inflation) is excluded from bankruptcy estate and not available to creditors.<sup>8</sup></li> <li>▪ If deposits were made less than 365 days prior to a federal bankruptcy filing, they are considered part of bankruptcy estate and are not protected from creditors.</li> <li>▪ In addition to federal bankruptcy protection, some states also provide partial protection from creditor claims for 529 deposits.</li> </ul>	<ul style="list-style-type: none"> <li>▪ No.</li> </ul>
<p><b>12) What else should I know before opening an account?</b></p>	<ul style="list-style-type: none"> <li>▪ Carefully read and understand the materials provided by the 529 plan, including disclosure documents, before signing up for this account.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Carefully read and understand the materials provided by the bank before signing up for this account.</li> </ul>

<sup>2</sup> The bank savings account described in this table is not the same as a Uniform Gift to Minors Act (UGMA) and Uniform Transfers to Minors (UTMA) account, commonly referred to as "Custodial Accounts," which are revocable trusts and have different rules and impact.

<sup>3</sup> This includes adaptive equipment such as modified computers or textbooks.

<sup>4</sup> In addition, because of recent tax law changes, up to \$10,000 per year can be withdrawn from 529 accounts to pay for a child's elementary or secondary school (K-12) tuition.

<sup>5</sup> For example, if the account is worth \$320, of which \$20 is interest earned, only the interest earned (\$20) would be subject to federal and state tax (rates vary by individual) and a 10% federal penalty (which would be \$2).

<sup>6</sup> State tax deductions may be subject to recapture in certain circumstances such as rollovers to another state's 529 plan or nonqualified withdrawals.

<sup>7</sup> As long as beneficiary on account is a child, stepchild, grandchild or step grandchild of the account owner who is filing for bankruptcy. Note: a legally adopted child or a foster child is treated as a child by blood.

<sup>8</sup> As long as beneficiary on account is a child, stepchild, grandchild or step grandchild of the account owner who is filing for bankruptcy. Note: a legally adopted child or a foster child is treated as a child by blood.

# College Savings Account Options You Can Connect to Your Child's NYC Scholarship Account

Through the Save for College Program, you can connect a specific type of 529 account or bank savings account to your child's NYC Scholarship Account. Below is more information about those options.

If you choose to save through another 529 plan or bank, you should contact them for information about their college savings options.

By providing the information below, NYC Kids RISE is not providing investment advice or recommendation of any particular kind of college savings account. Every family's financial circumstances are different, and you should consider your own circumstances before saving or investing.

QUESTION	NY 529 <i>DIRECT PLAN</i> ACCOUNT	AMALGAMATED SAVE FOR COLLEGE BANK ACCOUNT
<b>1) What is it?</b>	<ul style="list-style-type: none"> <li>This is a 529 account through the NY 529 Direct Plan.</li> <li>It is administered by the Office of the New York State Comptroller and New York Higher Education Services Corporation.</li> <li>For more information about the NY 529 Direct Plan, visit <a href="https://nysaves.org">nysaves.org</a>.</li> </ul>	<ul style="list-style-type: none"> <li>This is a savings account at an Amalgamated Bank owned by a parent/guardian or other family member, with a child named as the beneficiary.</li> </ul>
<b>2) How can I open this kind of account?</b>	<ul style="list-style-type: none"> <li>Use the "How to Open an NY 529 Direct Plan Account" guide for step-by-step instructions, available at <a href="https://nykidsrise.org/options/ny-529-direct">nykidsrise.org/options/ny-529-direct</a>.</li> </ul>	<ul style="list-style-type: none"> <li>Visit an Amalgamated Bank branch near you to open and connect an account.</li> <li>To find an Amalgamated branch, visit <a href="https://amalgamatedbank.com/find-branchatm">amalgamatedbank.com/find-branchatm</a>.</li> </ul>
<b>3) What information do I need to open the account?</b>	<ul style="list-style-type: none"> <li>You and your child will need to be a U.S. citizens or Resident Aliens to enroll in this type of account</li> <li>You will also need:               <ol style="list-style-type: none"> <li>1) a valid Social Security Number or Individual Taxpayer Identification Number for yourself and the child;</li> <li>2) your date of birth and the child's date of birth; and</li> <li>3) an email address to enroll online.</li> </ol> </li> </ul>	<ul style="list-style-type: none"> <li>You will need:               <ol style="list-style-type: none"> <li>1) a valid Social Security Number, Individual Taxpayer Identification Number, or W8 certification</li> <li>2) a valid photo ID issued by a federal or state government agency, or an IDNYC municipal ID;</li> <li>3) your address and date of birth;</li> <li>4) your child's name and address; and</li> <li>5) your email address (recommended).</li> </ol> </li> </ul>
<b>4) How can I "connect" this account to my child's NYC Scholarship Account, so that NYC Kids RISE can track the account and provide rewards?</b>	<ul style="list-style-type: none"> <li>You can connect this account to your child's NYC Scholarship Account by logging into your Savings Tracker on <a href="https://nykidsrise.org">nykidsrise.org</a> and clicking "Create/Connect 529 Account".</li> <li>For step-by-step instructions, visit <a href="https://nykidsrise.org/options/ny-529-direct">nykidsrise.org/options/ny-529-direct</a>.</li> </ul>	<ul style="list-style-type: none"> <li>You can connect this account to your child's NYC Scholarship Account by agreeing to share your account data with NYC Kids RISE during the process of opening this account.</li> </ul>

<sup>9</sup> NOTE: This type of account differs from Uniform Gift to Minors Act (UGMA) and Uniform Transfers to Minors (UTMA) accounts, commonly referred to as "Custodial Accounts," which are revocable trusts and have different rules and impact.

QUESTION	NY 529 <i>DIRECT PLAN</i> ACCOUNT	AMALGAMATED SAVE FOR COLLEGE BANK ACCOUNT
<p><b>5) Could saving in this account affect my child's eligibility for federal financial aid (according to current financial aid rules, which may change over time)?</b></p>	<ul style="list-style-type: none"> <li>▪ If your household income is less than \$50,000, savings in this account will usually not affect your child's eligibility for federal financial aid.</li> <li>▪ If your household income is greater than \$50,000, only a small part of the savings in this account will be counted for federal financial aid eligibility.</li> <li>▪ Savings in this type of account do not affect eligibility for financial aid under any New York State-administered financial aid programs, such as the Tuition Assistance Program (TAP).</li> <li>▪ These answers may change in future years. For more detailed information on this question, visit <a href="http://nykidsrise.org/financial-aid">nykidsrise.org/financial-aid</a>.</li> </ul>	<ul style="list-style-type: none"> <li>▪ If your household income is less than \$50,000, savings in this account will not affect your child's eligibility for federal financial aid.</li> <li>▪ If your household income is greater than \$50,000, only a small part of the savings in this account will be counted for federal financial aid eligibility.</li> <li>▪ These answers may change in future years. For more detailed information on this question, visit <a href="http://nykidsrise.org/financial-aid">nykidsrise.org/financial-aid</a>.</li> </ul>
<p><b>6) How can I deposit money in the account?</b></p>	<ul style="list-style-type: none"> <li>▪ You can deposit money using these methods: <ul style="list-style-type: none"> <li>- Check by mail;</li> <li>- Electronic fund transfer (linking to your bank account for one-time or recurring transfers);</li> <li>- Payroll deduction (linking your account to your employer, if your employer permits, so that a set amount is taken out of your paycheck each pay period);</li> <li>- Ugift® (a unique code you can give to your friends and family and allow them to contribute to your account);</li> <li>- Certain gift registries and gift cards.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ You can deposit money using these methods: <ul style="list-style-type: none"> <li>- Cash or check in person at an Amalgamated Bank;</li> <li>- Check or money order by mail;</li> <li>- Transfer from another bank account (if your other bank account allows this);</li> <li>- Payroll deduction (if your employer permits);</li> <li>- By using the Amalgamated Bank mobile app on your smart phone.</li> </ul> </li> </ul>
<p><b>7) What languages are materials available in?</b></p>	<ul style="list-style-type: none"> <li>▪ NY 529 <i>Direct Plan</i> materials and the <a href="http://nysaves.org">nysaves.org</a> website are available only in English.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Amalgamated Bank materials and the <a href="http://amalgamatedbank.com">amalgamatedbank.com</a> website are available only in English.</li> <li>▪ Spanish-language support may be available by phone.</li> </ul>
<p><b>8) What are the tax benefits of this account?</b></p>	<ul style="list-style-type: none"> <li>▪ Money in the account grows state and federal tax-deferred, meaning earnings do not count toward your taxable income.</li> <li>▪ New York State taxpayers may deduct up to \$5,000 per year (\$10,000 for married couples filing jointly) for contributions to this account when calculating state taxable income.</li> <li>▪ State tax deductions may be subject to recapture in certain circumstances such as rollovers to another state's 529 plan or nonqualified withdrawals.</li> <li>▪ Withdrawals are federal and NY State tax-free, as long as they are used for qualified higher education expenses.<sup>10</sup></li> </ul>	<ul style="list-style-type: none"> <li>▪ None.</li> </ul>

QUESTION	NY 529 <i>DIRECT PLAN</i> ACCOUNT	AMALGAMATED SAVE FOR COLLEGE BANK ACCOUNT
<b>9) What are the fees associated with this account?</b>	<ul style="list-style-type: none"> <li>Read the NY 529 <i>Direct Plan</i> disclosure document (Disclosure Booklet) for information about fees.</li> </ul>	<ul style="list-style-type: none"> <li>There are no monthly maintenance fees with this account.</li> <li>Read the Amalgamated Bank Account Opening Disclosure for a full list of fees associated with this account.</li> </ul>
<b>10) Is there a minimum amount I have to deposit into this account?</b>	<ul style="list-style-type: none"> <li>No minimum balance or minimum amount to deposit is required for this account.</li> <li>You can deposit whatever amount you want and keep any amount you want in this account (up to the maximum account balance allowed by the NY 529 <i>Direct Plan</i>).</li> </ul>	<ul style="list-style-type: none"> <li>No minimum balance or minimum amount to deposit is required for this account.</li> <li>You can deposit whatever amount you want and keep any amount you want in this account.</li> </ul>
<b>11) Are there any fees to remove my money from the account?</b>	<ul style="list-style-type: none"> <li>There are no fees, if you use your savings for higher education.</li> <li>If the money is not used for higher education, you could pay federal, state and local income tax plus a 10% federal penalty tax, but only on the interest earned (not on all the savings in your account).</li> <li>You also may need to repay NY State the value of deductions previously taken.</li> </ul>	<ul style="list-style-type: none"> <li>There are no fees to withdraw from this account.</li> <li>Read the Amalgamated Bank Account Opening Disclosure for a full list of fees associated with this account.</li> </ul>
<b>12) Can my family and friends add to my child's college savings account?</b>	<ul style="list-style-type: none"> <li>Yes, with the NY 529 <i>Direct Plan</i>, account owners can invite friends and family to contribute electronically or by mail through Ugift®.</li> </ul>	<ul style="list-style-type: none"> <li>Yes, the bank will accept third-party checks and allow you to give a deposit slip to someone to make a deposit into your account.</li> </ul>
<b>13) Where can I learn more about this account?</b>	<ul style="list-style-type: none"> <li>For more information about this account, visit <a href="https://nysaves.org">nysaves.org</a> or call 877-NYSAVES.</li> <li>Be sure to check these sources for the most up-to-date information about this account.</li> </ul>	<ul style="list-style-type: none"> <li>Visit an Amalgamated Bank branch near you, or call 800-662-0860.</li> <li>Be sure to check these sources for the most up-to-date information about this account.</li> </ul>

<sup>10</sup> Earnings on nonqualified withdrawals may be subject to federal income tax and a 10% federal tax penalty, as well as state and local income taxes. Tax and other benefits are contingent on meeting other requirements and certain withdrawals are subject to federal, state and local taxes.

For free, one-on-one support with fitting college savings into your overall financial picture, consider visiting one of the NYC Financial Empowerment Centers located throughout the city. At the Financial Empowerment Centers, you can meet one-on-one with a professional financial counselor who can help you tackle debt, improve your credit, create a budget, open a bank account, save and plan for your future, and more. You can also get information about saving for your child's college education and making a plan to start saving. To schedule an appointment at a Financial Empowerment Center near you, call 311 or visit [nyc.gov/dca](http://nyc.gov/dca).

***The NYC Kids RISE Save for College Program is a scholarship and savings program administered by NYC Kids RISE Inc., a nonprofit, in partnership with the NYC Department of Education and the City of New York. NYC Kids RISE is neither affiliated with, nor an authorized distributor of, New York's 529 College Savings Program and does not solicit investments or provide investment advice. The City of New York and the NYC Department of Education offer no endorsement or recommendation about, and do not control, own or are affiliated with the NY 529 Program Manager and any particular college savings or other investment vehicle, including ones which families may learn about through the Save for College Program.***

# Invest in your child—save for college

FIND OUT HOW

[nyckidsrise.org](http://nyckidsrise.org)

833-KID-RISE (833-543-7473)

The NYC Kids RISE Save for College Program is a scholarship and savings program designed to make college more accessible and achievable for all NYC public school students—regardless of their family's income or immigration status. NYC Kids RISE, a nonprofit organization, manages the Save for College Program in partnership with the NYC Department of Education and the City of New York.

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