



QUESTIONS AND ANSWERS FOR PARENTS/GUARDIANS:
Families of Students
with Disabilities

NYC KIDS RISE™

nykidsrise.org
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This handout includes frequently asked questions relevant to families of students with disabilities that are eligible to participate in the NYC Kids RISE Save for College Program. **For more information about the Save for College Program, visit nyckidsrise.org/questions-and-answers or call NYC Kids RISE at 833-543-7473.**

1. What is the NYC Kids RISE Save for College Program and who is eligible to participate?

The NYC Kids RISE Save for College Program is a scholarship and savings program that is available to all students in participating NYC public schools when they enter kindergarten. It is a tool that families, along with their schools and neighbors, can use and customize in the way that best fits into their lives and best supports their dreams for their children. Starting in the 2021-2022 school year, all public school kindergartners citywide are eligible to participate (including from participating charter schools).

What that means is that once your child is enrolled in the program, NYC Kids RISE will create an NYC Scholarship Account and automatically make an initial deposit \$100 for your child's educational future. You can earn rewards by taking additional steps in the Program, and if you choose, you can open and connect a separate college and career savings account that you own, to save alongside your child's NYC Scholarship Account, in the ways and amounts that make sense for you and your family's circumstances. At the same

time, communities—including local businesses, organizations, and others—can contribute to groups of the NYC Scholarship Accounts to further increase the savings in each child's account and demonstrate their community's support for every child's success. The Program enables parents/guardians, family members, friends, schools, communities, anchor institutions, and government to work together to build financial assets and support expectations of educational and economic success for every child.

2. What can the money in the NYC Scholarship Account be used for? Are there any restrictions on use?

Money in the NYC Scholarship Account is invested in the NY 529 *Direct Plan* and can be used for a variety of higher education expenses. And even though the 529 account is called a *college* savings account, the account can be used to pay for qualified higher-education expenses at all eligible institutions in the US and abroad. In addition to traditional 4-year colleges and universities, other types of eligible institutions include: community colleges, trade and vocational schools, and online degree programs. The scholarship funds can be used for tuition, fees, equipment, some room-and-board expenses, and

even things like textbooks, which are often not covered by other scholarships. Visit nysaves.org for a full list of qualifying higher education expenses.

Money in the NYC Scholarship Account cannot be used for any K-12 expenses, including those that qualify under federal law.

3. Can the funds in a student's NYC Scholarship Account be used for any special education programs?

In line with current NY 529 *Direct Plan* rules, funds can be used to cover certain services for students with special needs in connection with enrollment and attendance at eligible educational institutions. Some eligible educational institutions have programs and supports in place for students with special needs. To check if a particular school or program is eligible, visit https://fafsa.ed.gov/spa/fsc/#/SEARCH?locale=en_US.

To learn more about the types of eligible expenses under the NY 529 *Direct Plan*, including for students with special needs, contact NY 529 at 877-NYSAVES (877-697-2837) or visit nysaves.org.

In addition, NYC Kids RISE is exploring ways for funds in a child's NYC Scholarship Account to be transferred to an ABLÉ account. ABLÉ (Achieving a Better Life Experience) accounts are tax advantaged savings vehicles that allow individuals with disabilities to save for disability-related expenses, without the risk of losing their benefits from assistance programs like SSI and Medicaid (some restrictions apply). We will provide more information in the future about this possibility.

4. What happens if a student is not able to use their NY 529 Direct Plan account to pay for qualified expenses?

For the Scholarship Account, which families do not contribute into, if a student in the Program does not claim their NYC Scholarship Account funds within 20 years after they complete kindergarten, then those funds will go back to NYC Kids RISE to support future Save for College Program students.

Please note that NYC Kids RISE is exploring ways to be able to transfer the funds of a NYC Scholarship Account into an NY ABLÉ account for students with disabilities.

With respect to the savings account option that your family owns (i.e. If you decide to open and connect a separate NY 529 *Direct Plan* account as your savings option in the Program), if your child (the beneficiary) is not able to use the account to pay for qualified expenses, there are several things to be aware of.

First, if your original beneficiary isn't going to use the money in your 529 account, you can choose a new beneficiary from their immediate family. Eligible family members include the original beneficiary's siblings, parents, cousins, nieces, nephews, aunts, uncles, grandparents, spouse, and children.

Second, recent changes in federal tax laws allow money in a student's 529 account to be transferred to an ABLÉ account under certain circumstances before January 1, 2026 without any federal or New York state tax or penalty.

Otherwise, it's important to know that withdrawals from 529 plan accounts that are not used for qualified expenses (or that are not transferred to an ABLÉ account under the applicable federal tax law) are subject to federal and applicable state and local tax on the earnings, as well as a 10% federal penalty. However, withdrawals due to a disability are subject to federal and applicable state and local tax on the earnings, but not the 10% federal penalty. Under New York State law, New York non-qualified withdrawals will require the recapture of any New York State tax benefits that have accrued on contributions.

5. Should I participate in this Program if I am not sure my child will go to college?

It can be tough to plan for a child's educational future, let alone save for it. For many families, sending a child to college or even thinking about their future career path may seem out of reach, for a variety of reasons. But families don't have to do it alone. The NYC Scholarship Account that your student receives with the initial \$100 is free to families, regardless of income or immigration status, and provides a way for NYC Kids RISE, your school, and your community to help you plan and save for your child's future. By participating, you are keeping the door open for your child to be able to benefit from efforts to bring communities together to support all our children, including Community Scholarship, where local businesses, organizations, neighbors and other institutions can direct funds to and fundraise for students' accounts.

6. What is a 529 ABLÉ account?

Authorized through *The Stephen Beck, Jr. Achieving a Better Life Experience (ABLE) Act of 2014*, ABLE accounts are tax advantaged savings vehicles that allow individuals with disabilities to save for disability related expenses, without the risk of losing their benefits from assistance programs like SSI and Medicaid (some restrictions apply). In New York, the Office of the State Comptroller (OSC) administers NY ABLE. For more information about NY ABLE accounts, visit mynyable.org and <https://www.ablenrc.org/what-is-able/what-are-able-accounts/>.

7. Where can I find more information about the Save for College Program?

You can find more information through your child's school, or, visit nyckidsrise.org, call our hotline at 833-543-7473, or email info@nyckidsrise.org. To

stay connected on social media, you can follow @nyckidsrise on [Instagram](#) and [Twitter](#), "Like" NYC Kids RISE on [Facebook](#), and subscribe to NYC Kids RISE on [YouTube](#).

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 program manager for New York's 529 College Savings Program and any particular college savings or other investment vehicle, including ones which families may learn about through the Save for College Program.