

## Frequently Asked Questions

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### What is the BabySteps Savings Plan?

Starting January 1, 2020, every child born or adopted who is a Massachusetts resident will be eligible\* to receive a \$50 seed deposit into his or her U.Fund account from the State Treasurer's Office.

\*within one year of birth or adoption

### Who is eligible?

Any child who is a Massachusetts resident and was born or adopted on or after January 1, 2020 is eligible to receive a \$50 seed deposit from the State Treasurer's Office into a U.Fund account with that child as the Beneficiary. The \$50 seed deposit can only be received within one year of the child's birth or adoption.

### How will the BabySteps Savings Plan work?

Families who want to start a savings account through the BabySteps Savings Plan will be asked to indicate their interest on the Department of Public Health Parent Worksheet at the time of birth. Families will then need to open a U.Fund 529 College Investing Plan account. After opening the account, families can begin making contributions and will receive information about growing their children's accounts. During the calendar year, the Massachusetts State Treasurer's Office in conjunction with MEFA will continue to work with new families to enroll their children in the program.

### What are the goals of the program?

The purpose of the BabySteps Savings Plan is to help Massachusetts families save for their children's postsecondary education, develop aspirations for higher education, and learn essential financial literacy skills. The BabySteps Savings Plan will dedicate its resources in support of three principal goals:

1. **Increase** the percentage of children saving for higher education in Massachusetts
2. **Deliver** high-quality financial education programming to families, building a culture centered on saving for the future and employing prudent budget management
3. **Boost** postsecondary enrollment and graduation rates for Massachusetts students by fostering aspirations of higher education for economically vulnerable and disadvantaged children

### Why is the Treasurer's Office sponsoring this program?

Treasurer Goldberg saw the benefit of college savings account programs for individual families as well as the long-term economic impact, and made it her mission to establish a statewide program in Massachusetts. Research shows that by shifting from debt dependence to asset-empowered education, these accounts expand educational and economic opportunity by helping families build dedicated savings for postsecondary education.



## **Why open a college savings account at birth?**

Opening a 529 college savings account at birth allows more time for savings to accumulate, interest to accrue, and parents to make contributions to the account. Research shows at-birth college savings account programs maximize the opportunity for a positive impact on children's social-emotional health and development of college-bound identity.

## **What will happen with the SeedMA program for kindergartners?**

The three-year pilot program in Worcester and Monson will conclude on June 28, 2019. Learnings from the pilot programs in Worcester and Monson helped the Treasurer's Office to create a statewide college savings account program. The Treasurer's Office will continue to work in these towns through the BabySteps Savings Plan. All accounts opened through the pilot program are owned by the families, and account holders will continue to receive the savings curriculum.

## **When will the program start?**

Starting on January 1, 2020 babies born or adopted by Massachusetts families will be eligible for the BabySteps Savings Plan.

## **Are Massachusetts families that adopt a child eligible?**

Yes! Adopted children are eligible up to the first anniversary of the adoption.

## **Do families have to enroll?**

Yes, families will need to open a U.Fund 529 account through MEFA. Parents can start the process by checking "yes" on the Department of Public Health Parent Worksheet in the hospital at the time of birth.

## **What is the Economic Empowerment Trust Fund?**

The Economic Empowerment Trust Fund's (EETF) mission is to educate and provide the resources and opportunities for people of all ages to empower themselves with access to the knowledge and tools to make informed decisions throughout their lives. The Trust's priorities include financial education, closing the gender wage gap, college affordability, and promoting STEM education. The EETF is chaired by the Massachusetts State Treasurer and is a recognized 501(c)3.

## **How will the State Treasurer's Office and MEFA help families open accounts after the child's birth?**

Families who check the box on the Department of Public Health Parent Worksheet will be contacted by the Treasurer's Office and MEFA to start opening a 529 account. Staff will assist families with enrollment.

## **What is MEFA?**

The Massachusetts Education Financing Authority (MEFA) is a not-for-profit state authority that provides information, guidance, and programs to help families plan, save, and pay for college. MEFA also serves as the state sponsor of Attainable, the ABLE Savings Plan.



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## How will parents hear about the program?

The SeedMA pilot program showed that families need to hear about this program from a variety of trusted sources. To meet families where they are, the BabySteps Savings Plan is developing partnerships with key stakeholders who are already working with families both pre-and post-birth/adoption.

## How will this be funded?

The \$50 deposits for the BabySteps Savings Plan will be funded without the use of taxpayer dollars. Through the Economic Empowerment Trust Fund, public-private partnerships will be developed to fund the seed deposit. The founding sponsor of the program is the Hildreth Stewart Charitable Foundation, donating \$300,000 to the Economic Empowerment Trust Fund for BabySteps Savings Plan.

## What is the seed deposit?

All eligible accounts opened through the BabySteps Savings Plan will receive a \$50 seed deposit.

## What is a 529 college savings account?

Every college savings account affiliated with the BabySteps Savings Plan will be a "529 plan," a tax-advantaged plan authorized by Section 529 of the Internal Revenue Code and designed to encourage savings for higher education. These accounts are specifically offered through MEFA's U.Fund, which is sponsored by MEFA and managed by Fidelity Investments.

## What are the benefits of opening a 529 account through the BabySteps Savings Plan?

Every eligible account includes a free \$50 deposit through the Treasurer's Office. These tax-advantaged accounts are flexible and designed to be used for qualified education expenses. Contributions into a 529 account are eligible for a state income tax deduction (up to \$1,000 for an individual or \$2,000 for a married couple filing jointly).

## Are ABLE accounts eligible for the BabySteps deposit?

ABLE accounts are not eligible for the BabySteps deposit. However, a family may open a 529 account for a child, receive the \$50 seed deposit into the 529 account, and then transfer those funds into an ABLE account for the same child without incurring any tax or penalty. The funds rolled over from the 529 plan are subject to the annual contribution limit of \$15,000 into an ABLE account. The rollover may originate from any state's 529 plan.

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