



State of Tennessee

David H. Lillard, Jr., State Treasurer

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Treasury Department Introduces New Program to Provide Need-Based College Savings Funds to Families

State Treasurer David H. Lillard, Jr. is announcing a new program to provide state funding to assist low-income families in building college savings accounts.

Under the new Tennessee Investments Preparing Scholars (TIPS) program, the state will provide enhanced matches for money invested by families that have accounts in the Treasury Department's TNStars college savings program and meet the income requirements.

For example, eligible families that invest the minimum of \$25 in TNStars will qualify for \$100 from the state, which will be invested in separate accounts. Families that invest \$125 or more per year will receive the maximum allowable funds of \$500.

The matching grants will be provided to the first 2,000 eligible families that complete the application process and make qualifying deposits during the qualifying period, which will run from Oct. 1, 2014 through June 30, 2015. Families can re-apply each year and continue to receive matching funds, up to a \$1,500 maximum benefit per child.

"This is an exciting new development as we enter the third year of the TNStars program," Treasurer Lillard said. "For the first time ever, the state is able to offer matching funds based on the economic needs of families. These matching funds are in addition to the other incentives we are already offering to all Tennessee families that open TNStars accounts. I hope this program will entice more families to begin saving for the education young people will need to be competitive in the 21st Century workforce."

Families are eligible to earn the matching funds if they make 250 percent or less of the annual income recognized by the federal government as the poverty level. For the initial qualifying period, that would be \$58,875 in annual adjusted gross income for a family of four.

To open a TNStars account and learn about the application process, visit www.tnstars.com

TNStars is a 529 college savings program, named after the section of the Internal Revenue code that allows people to save money for college expenses while earning certain tax advantages. People can open accounts and save money on behalf of their children, grandchildren, other

relatives or even friends. Money can be withdrawn from the accounts without paying taxes on investment income, provided the money is used on qualified higher education expenses.

529 plans are similar to 401(k) plans, although the money is used for education expenses instead of retirement and the tax benefits are somewhat different.

TNStars offers several different investment options, ranging from conservative to aggressive. There's also an age-based option which invests money more aggressively when children are young and invests more conservatively as children approach college age. The state's matching funds will be invested using the age-based option.

Tennessee families are eligible for up to \$375 in incentives for opening TNStars accounts, regardless of economic need. Information about how to qualify for those incentives is also available at www.tnstars.com

-30-

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