

Michael W. Frerichs  
ILLINOIS STATE TREASURER

## Treasurer's Note

March 4, 2024

### Betting on a Child's Education Is No Gamble

March Madness will soon be upon us. The odds of filling out a perfect NCAA bracket are [120.2 billion to 1](#). It is estimated that more than [\\$15.5 billion](#) will be spent gambling on the NCAA basketball tournament.

Once your bracket is filled in and the games tip off, people will be watching talented players, almost all of whom are on scholarship. Not every kid will be so fortunate though. That's why I encourage people to fill out a different kind of paperwork: open up a college savings plan.

My office offers the highly rated [Bright Start 529](#) plan to help families save for education [after](#) high school. I started saving for my now-teenage daughter months after she was born, and I learned how good of an investment it was several years later.

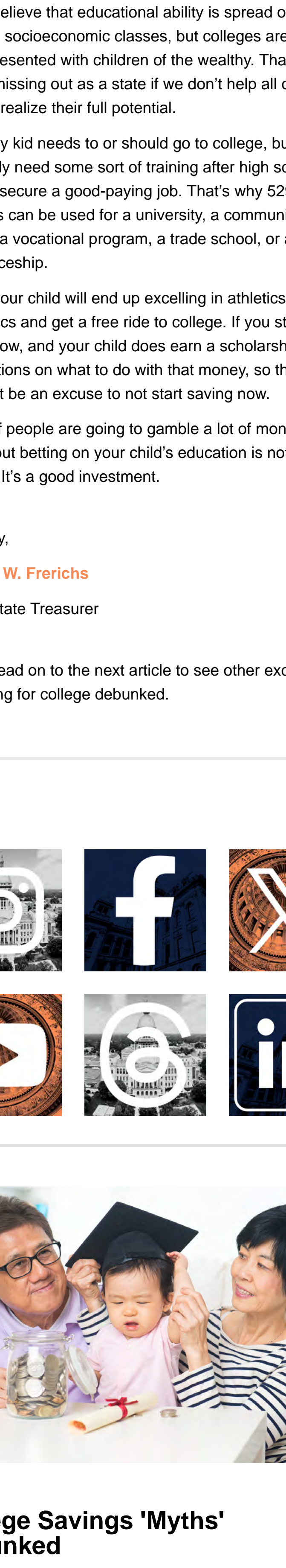
I remember a conversation with Ella when she was around 7 years old. I received our quarterly Bright Start statement in the mail, and I decided that this was a good time to begin talking to her about investing. We sat at the kitchen table and looked through the pages. I showed her how much money was in the account at the start of the last quarter, how much I had put in, and how much there was in the account now.

She had only just begun learning multiplication, but she could see that the numbers didn't add up. The account had grown by more than I had put in. This led to a basic conversation about investing, risk, and interest. It was a good start on what can be a complex topic.

As I put the Bright Start statement away, Ella surprised me with a question.

"Is all of that money mine, Daddy?" she asked. It wasn't nearly enough to pay for college, but it was a big amount to her.

"Yes, Ella, all of that money is yours," I told her. "If you go to college."



***I played basketball as a kid and dreamed of playing in the NCAA tournament. Unfortunately, being slow and having a late growth spurt held me back.***

Like many kids, she didn't want to lose what she thought was hers, and she shot back: "Don't worry, I'm going to college! That's my money!"

Research shows that if a child knows they have a college savings account in their name, they are three times as likely to go to college. That number is even higher if they would be the first generation in their family to attend.

**It is not the amount of money in the account that makes the difference, but the message a parent or family member delivers when they tell them that they are saving for their future. What children hear is: You're smart! I believe in you! I'm investing in you!**

Too often, our young people hear the opposite. They hear things like: We can't afford college. Get those ideas out of your head. We are not college people.

If young people can't imagine themselves in college, they are much less likely to work hard to get there.

I firmly believe that educational ability is spread out evenly between socioeconomic classes, but colleges are overrepresented with children of the wealthy. That means we are missing out as a state if we don't help all of our children realize their full potential.

Not every kid needs to or should go to college, but they frequently need some sort of training after high school in order to secure a good-paying job. That's why 529 savings accounts can be used for a university, a community college, a vocational program, a trade school, or an apprenticeship.

Maybe your child will end up excelling in athletics or academics and get a free ride to college. If you start saving now, and your child does earn a scholarship, you have options on what to do with that money, so that shouldn't be an excuse to not start saving now.

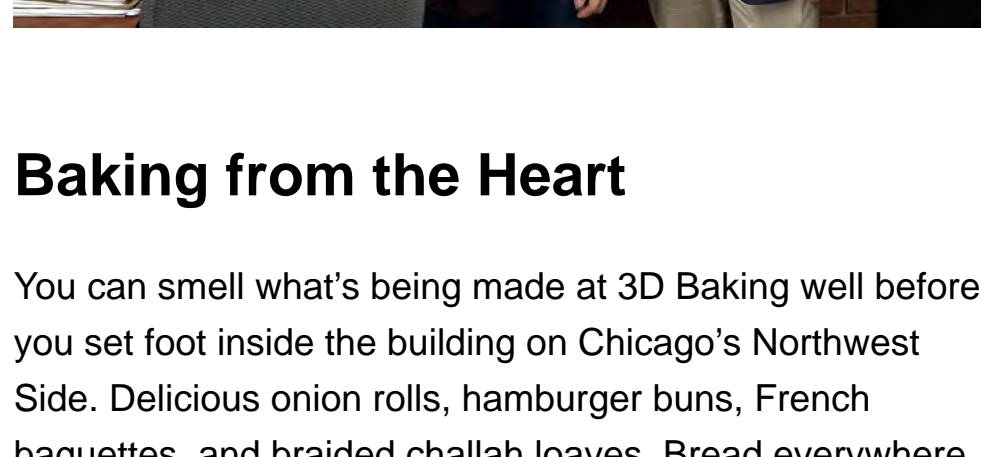
A lot of people are going to gamble a lot of money this month, but betting on your child's education is not a gamble. It's a good investment.

Sincerely,

**Michael W. Frerichs**

Illinois State Treasurer

**P.S.** Read on to the next article to see other excuses for not saving for college debunked.



### College Savings 'Myths' Debunked

**Myth: Saving a little will not have an impact.**

**What else you should know:** Saving is cheaper than borrowing — by a lot. Even small amounts of savings can avoid the high costs of financing loans and interest. For example, if all you could save was \$6 a month with an assumed average return of 5%, you'd have contributed a total of \$720 after 10 years — and you'd have built up approximately \$1,000. While \$1,000 may not be enough to cover the full cost of college, it will mean your child will avoid paying \$1,000 in loans and the accompanying interest. At the current federally subsidized loan rate of 5.5%, on the [graduated repayment plan](#), it could cost your child a total of \$1,382 to repay a \$1,000 loan over 10 years. In short: saving bit-by-bit now can be considerably less expensive than taking out a loan later.

**Myth: Saving for college will negatively impact my child's financial aid.**

**What else you should know:** Saving for college with a 529 plan has only a [small impact on financial aid](#). If a parent is the account owner of an Illinois 529 account, up to 5.64% of the value of the account may be included in the expected family contribution calculation for federal financial aid purposes. However, other savings not in a 529 plan may be counted similarly, and savings in general count for less than parental income.

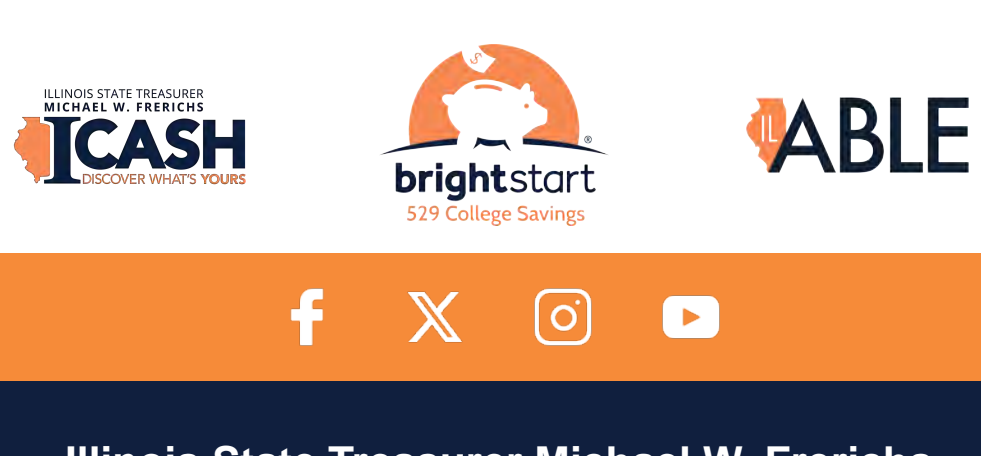
**Myth: 529 accounts are only for parents.**

**What else you should know:** Anyone over age 18 with a Social Security number (or Individual Taxpayer Identification Number) and a valid U.S. address can open a 529 account. That means that anyone can open an account to save for a loved one — grandparents, aunts, uncles, godparents, family friends, etc. You can even open an account for yourself.

**Myth: If my child does not go to college, I'm out of luck with my 529 savings.**

**What else you should know:** There is no time limit on 529 accounts, and if your child does not go to college right away you can leave the funds in the account to be potentially used later for college, trade school, vocational school, or apprenticeship expenses. Without penalty, you also can change the account beneficiary to a different family member such as an older or younger child, a niece or nephew, or even a grandchild. And you can withdraw the funds at any time, but you may owe federal or Illinois taxes.

*You can read important disclosures, including information about investments, fees, and risks related to Bright Directions [here](#) and Bright Start [here](#).*



### Chicago Sun-Times Publishes Frerichs' Letter Opposing 'Junk Fees' That Harm Illinois Families

Treasurer Michael Frerichs is calling on Congress to ban hidden "junk fees," such as the fees that financial institutions charge when someone tries to make a purchase that is immediately declined because of insufficient funds. The [Chicago Sun-Times](#) recently published a letter to the editor from Frerichs on this topic.

Here is a portion of the letter:

As the Illinois State Treasurer, I work to help people invest and grow their savings. We also fight to make sure those accounts aren't nickel-and-dimed by unnecessary fees.

The White House recently proposed banning another type of junk fee that serves only to harm hardworking families in Illinois while fattening the bottom line of Wall Street banks.

It is important to me how banks and other institutions treat families who want nothing more than to save a little money for the future. Attacking junk fees is a wise and simple step.

Specifically, the proposal seeks to eliminate certain fees that are charged when a person tries to withdraw money, send a payment, or make a purchase that is immediately declined because of insufficient funds.

To read the rest of Treasurer Frerichs' letter to the editor, go to the [Illinois State Treasurer's Office website](#).



### Baking from the Heart

You can smell what's being made at 3D Baking well before you set foot inside the building on Chicago's Northwest Side. Delicious onion rolls, hamburger buns, French baguettes, and braided challah loaves. Bread everywhere you look.

Illinois Treasurer Michael Frerichs recently visited the artisan production bakery along with State Sen. Robert Martwick to talk about [Illinois Secure Choice](#), a program that allows employees to contribute a portion of their paycheck to their retirement account through a payroll deduction facilitated by their employer.

3D Baking President Willie Zimmeroff studied chemistry at Kansas University, but baking became his passion. He was the executive head baker at Corner Bakery Café when the restaurant chain started to grow in the Chicago area during the 1990s. Now, his company makes more than 100 varieties of bread you'll find at nice restaurants and quality grocery stores across the country. "Baking from the heart" is his motto, and he extends that to his employees, offering them enrollment in Illinois Secure Choice.

"It's an opportunity for them to save for their future," Zimmeroff said. "When you have an employee that is looking for a career, versus a job, they appreciate those opportunities where they can see the future. They want to save their money."



***Workers at 3D Baking on Chicago's Northwest Side shape the dough that will become baked goods. Employees at the artisan production bakery can save for retirement through Illinois Secure Choice.***

Treasurer Frerichs has emphasized that Social Security alone won't be enough for many workers.

"We want workers to be able to retire with dignity and confidence, and Illinois Secure Choice helps with that," Frerichs said. "Secure Choice is portable, meaning employees can take their retirement savings with them even as they move on to other jobs."

A law passed by the General Assembly in 2015 means business with five or more employees must help workers access a retirement savings option by either signing up for Illinois Secure Choice or offering a private retirement plan.

The employer component is important because workers are 15 times more likely to save for retirement if they can do so through payroll deductions at work, according to an AARP study.

*Important disclosures, including information about investments, fees, and risks related to Secure Choice can be read [here](#).*



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