

# BabySteps Savings Plan

### **What is the BabySteps Savings Plan?**

Starting on January 1, 2020 the Massachusetts State Treasurer's Office will provide every child born or adopted in Massachusetts a \$50 seed deposit to families who open a UFund 529 plan by the child's first birthday, or within the first year after adoption.

### **Who is eligible?**

Babies born to Massachusetts families who are less than one year old and adopted children no later than the first anniversary of the adoption are eligible to receive the \$50 seed deposit when they open a UFund Account.

### **How will the BabySteps Savings Plan work?**

The easiest way for parents 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. The Massachusetts State Treasurer's Office in conjunction with MEFA will then start the enrollment process and follow up with families on next steps. 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 will continue to work with new families to enroll their child 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 child'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. Deliverer high-quality financial education programming to families, building a culture centered on saving for the future and employing prudent budget management; and
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 CSA programs maximize the opportunity for 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 program in Worcester and Monson helped the Treasurer's office to create a statewide college savings account program. We 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 529 account, through MEFA also known as a UFund Account. 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?**

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.

**How will parents hear about the program?**

Through our SeedMA pilot program, we know that families need to hear about this program from a variety of trusted sources. To meet families where they are, we are 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 offered through 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 UFund which is sponsored by the Commonwealth of Massachusetts 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 Office of the State Treasurer and Receiver General of Massachusetts. These tax-advantaged accounts are flexible and designed to be used for qualified higher 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). Savings in a 529 account are exempt from benefit asset tests and will not affect eligibility for most state benefits.



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