

VSAC Comments for the Vermont Senate Finance Committee

June 3, 2020

1. 529 plans are state-sponsored plans of individual investment accounts to plan for future education expenses. This includes most expenses for undergraduate and graduate programs at accredited colleges and universities, vocational and trade schools.
2. VSAC currently offers a 529 plan designed for Vermonters to sign up directly and has attracted about 23,000 accounts.
3. Congress has expanded the use of such plans over time including most recently to allow for qualified apprenticeship program expenses and student loan payments not to exceed \$10,000 per student per lifetime. The House-passed miscellaneous tax bill address these changes, in part.
4. VSAC seeks to amend the 529 plan's enabling legislation, enacted in 1997 and amended in 2001, to clarify some existing provisions, update the existing program including to allow for VSAC to maintain a separate plan to be available through financial advisors.
5. Many families rely on financial advisors for help with their investment accounts and a new plan would enable advisors to assist such families with their education investment accounts.
6. Currently there are over 30 state-sponsored advisor-sold 529 plans, including by Maine, New Hampshire, Rhode Island and Connecticut.
7. VSAC seeks to implement a new type of advisor 529 plan that would require the advisor to act in a fiduciary capacity when dealing with their clients. The fee for such services would be included in the clients' overall relationship advisory fee.
8. This new advisor-guided plan would be offered nationally, similar to other states' advisor-sold plans, with participation by Vermonters expected but relative to Vermont's population.
9. VSAC would conduct a competitive bid to select one or more qualified financial institutions to operate one or more new advisor plans at no cost to VSAC or the State.
10. VSAC would expect to realize additional revenue, depending on the success of the marketing of the new advisor plan to support its programs. We are not able at this stage to say much about the timing and extent of any revenues.
11. The proposal would not extend the existing Vermont income tax credit to participants in the new adviser-sold plan. The tax credit would be reserved for those participating in the existing, direct-offered plan. Accordingly, there would be no negative impact to the revenues of the state from the proposal.

12. VSAC has started a diligent exploration of this idea. In order to make the possibility of pursuing this more workable, we are looking at some minor changes to the VSAC statute, to make it clear that VSAC may sponsor more than a single plan. A draft of those potential changes to the statutes has been provided to the Committee.

Thank you for your attention to this.

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