

September 23, 2015

Washington State GET Program Announces Radical Changes to Plan

In August, the State of Washington announced radical changes to the GET pre-paid tuition program due to the enactment of the College Affordability Act, which lowers tuition at Washington's public schools.

Between September 2, 2015 and December 15, 2016, participants have the opportunity to receive a **refund of all (or part) of their contributions, or the payout value, whichever is GREATER**, without having to pay refund fees or meet the usual two-year holding requirement. Note: if you request a partial withdrawal, you will receive a refund of the purchase of the units purchased most recently.

In addition, GET participants will receive a rebate of about \$20 per unit on GET units purchased since May 2011. This is a return of the amortization fee charged to ensure the program's funded status recovered from the downturn in 2008 - 2009.

We have received many questions from clients about these issues. This special newsletter outlines the issues around these action and our thoughts and suggestions. The issues boil down to:

- What should you do with the money you've already contributed to GET?
- Should you keep contributing to GET when it re-opens for contributions again?
- What should you do with the rebate for contributions made since May 2011?

Current and Future GET Contributions

In reviewing the GET program and the proposed changes, our general suggestions are outlined below, but keep in mind everyone's situation is a bit different, so if you have specific questions about YOUR situation, please give us a call.

Regarding whether or not to request a refund of contribution, your options are to:

1. Leave the money in the GET until it's needed.
2. Withdraw the money you've contributed to the GET plan and move it to another 529 plan.

If your GET beneficiary is more than two years away from starting college, we suggest that you withdraw all your contributions from GET, move it to another 529 Plan and do not make any future contributions to GET. It's important to move the money to another 529 plan within 60 days to avoid any negative tax consequences.

If your GET participant is in school, or within two years of starting school, it's a toss-up whether to leave contributions. Most if not all of your college funds should be in low-risk investments at this point anyway, so you won't be losing much, if anything, to leave the money in the GET program.

Why take these actions, you ask?

We have two reasons. First, if you contributed to the GET plan between July of 1999 and June of 2009 and choose a refund, you'll receive the payout value of \$117.82 per unit. That means you've received a return of 6% or more per year, which is wonderful. (See chart below.) If you contributed after July 2009, you'll receive back only the money that you contributed.

But going forward, if you leave the money in the GET plan, you'll receive nothing for at least the next two years (until tuition surpasses \$11,782 per year at UW or WSU), which is not so wonderful. Hence the recommendation to transfer it to another 529 plan, where you have more control over the investment options, as well as the opportunity to earn a return on your investment. It's a case of 'take the money and run'.

Second, in addition to the 0% return for the next two years, the College Affordability Act, signed into law by Governor Inslee in July, may limit the state's ability to increase tuition at state universities. According to the *Seattle Times*, the bill "ties tuition, beginning in 2017, with the state's median family wage, which was \$41,101 in 2013 and on average goes up by about 2.1 percent a year. " If the return on money contributed to GET is closely tied to increases in the state's average wage, its value as an investment for college drops dramatically because no other public or private colleges in Washington or any other State is restricting tuition increases to increases in the general cost of living.

In summary, by taking your money out of GET, you will receive at least what you've contributed, and by transferring it to another 529 plan, you have the potential for gains. If you leave your contributions in GET, your contributions will earn nothing through at least 2017. Unless your student is already in school or will be soon, we believe it is better to transfer the money to another 529 plan.

Because the College Affordability Act may limit future investment gains in GET, we also believe it is better to direct **future contributions** to a source with greater potential investment gains.

Rebate

With regards to the \$20/credit rebate that you may receive, we suggest adding it to the 529 plan of your choice. It might as well continue to work for you. However, even if you don't do that, there should not be any negative tax implications because this money is a refund of a part of your payment, *not* a return on investment (which could be subject to taxes and a penalty).

Conclusion

GET is conducting a feasibility study to evaluate options for the program, including the impact of offering a 529 college savings plan in addition to the GET plan. They have a deadline of December 1, 2016 for completing the study. Keep in mind that the deadline for receiving a refund of your GET contributions without paying a refund fee or meeting the two-year holding requirement is December 16, 2015.

To request a refund, start by reviewing the GET Refund/Cancellation Policy, and fill out a GET Refund/Cancellation Request for each account. These forms can be found on the GET website: <http://www.get.wa.gov/forms>, and must be notarized. Refunds may take up to 12 weeks to process, and the money must be re-deposited to another 529 Plan within 60 days to avoid tax penalties. According to GET, you should not use a direct rollover form from another 529 plan to transfer the funds out of the GET program.

Because the GET program will be in a state of flux through December 2016, we will continue to monitor the situation and keep you informed as to our recommendations as more information becomes available. We have tried contacting the GET customer service numbers to answer a few questions not addressed in their communications about the program, but were disconnected repeatedly after several rings.

GET Investment returns based on contribution date:

Year of Purchase	Years Invested	Purchase Price	Redemption value	Annual ROI
2014	1	\$ 172.00	\$151.18	0.00%
2013	2	\$ 172.00	\$151.18	0.00%
2012	3	\$ 172.00	\$152.27	0.00%
2011	4	\$ 163.00	\$144.30	0.00%
2010	5	\$ 117.00	\$117.82	0.14%
2009	6	\$ 101.00	\$117.82	2.60%
2008	7	\$ 76.00	\$117.82	6.46%
2007	8	\$ 74.00	\$117.82	5.99%
2006	9	\$ 70.00	\$117.82	5.96%
2005	10	\$ 66.00	\$117.82	5.97%
2004	11	\$ 61.00	\$117.82	6.17%
2003	12	\$ 57.00	\$117.82	6.24%
2002	13	\$ 52.00	\$117.82	6.49%
2001	14	\$ 42.00	\$117.82	7.65%
2000	15	\$ 41.00	\$117.82	7.29%
1999	16	\$ 38.00	\$117.82	7.33%
1998	17	\$ 35.00	\$117.82	7.40%

