



OFFICE OF  
STATE TREASURER  
DENISE L. NAPIER

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# NEWS

**FOR IMMEDIATE RELEASE**

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## **Nappier Says New Features in CHET College Savings Program Can Help Connecticut Families Prepare for “Perfect Storm” of Financial Challenges**

*College Savings Month in Connecticut to be Observed at Local Libraries, Children’s Museums; Highlights Include New State Income Tax Deduction, Lower Fees, Expanded Investment Options, Permanent Federal Tax Benefit*

In the midst of College Savings Month, State Treasurer Denise L. Nappier said today that Connecticut families trying to pay for college are faced with a “perfect storm of financial challenges: rising college costs, diminishing federal aid, and increasing costs of borrowing.”

Nappier said, however, that recent significant changes to the state’s college savings program, CHET, can help families trying to save money to pay for college. The Treasurer highlighted four key advantages now offered in what she described as “a milestone year” for CHET:

- **New deduction on state income tax** for Connecticut taxpayers
- **Lower fees**, among the lowest of any state college savings plan in the country
- **More investment choices**, including two investment options added recently
- **Federal tax-free permanency**, eliminating uncertainty about tax-free use of savings for education expenses

“A college education has never been more important, and the financial challenges never greater,” **Treasurer Nappier** said. “The features we’ve added will help give families a break as they navigate the financial storm on the horizon. As an increasing number of families are discovering, there has never been a better time to ‘Check CHET Out.’”

Nappier was joined by state education officials, college leaders and legislators in marking *College Savings Month* at events in West Hartford, New Haven and Norwalk\* and announcing a series of events in Connecticut designed to provide essential information about CHET and college savings at locations including local libraries and museums.

Every state in the nation offers a so-called “529” program,” named after the federal statute permitting the establishment of state-sponsored college savings plans. The CHET program began in 1998, and was significantly overhauled in 2000, prior to the series of new features added this year, which has resulted in an upgrading of the program by [savingforcollege.com](http://savingforcollege.com), a well-respected industry analyst.

### **College Savings Month News**

- **Four great new reasons to save with CHET, including tax deduction!**
- **Higher education costs continue to rise.**
- **College aid is more expensive, less available.**
- **College savings seminars being held at libraries.**
- **Special admission to 11 Connecticut museums.**

CONTACT: BERNARD L. KAVALER  
DIRECTOR OF COMMUNICATION  
(860) 702-3277 FAX (860) 702-3043  
[BERNARD.KAVALER@PO.STATE.CT.US](mailto:BERNARD.KAVALER@PO.STATE.CT.US)

## Costs of College Continue to Increase

According to 2005 College Board figures, the national average tuition for undergraduates attending four-year public universities jumped 6.6 percent from a year ago, pushing the average annual price of attendance, including room, board and fees, up to \$12,127. The average tuition at four-year private colleges rose 5.7 percent in the past year to \$29,026. In addition, undergraduate grant aid has declined for three consecutive years, increasing students' reliance on borrowing – and the interest rate on student loans jumped by 2% earlier this year to 7% or 8%, depending on the loan. Nappier noted that projections are that the cost of four years of college for children born this year could be as much as \$435,000 at private colleges and \$182,000 at public colleges.

"Making college education affordable is a concern of every parent. The years between birth and college entry go quickly and many families find that their savings are not sufficient to meet the escalating costs of higher education," said **Interim State Education Commissioner George Coleman**. "The forward thinking of our state and its Treasurer, Denise Nappier, in helping students' families access a secured savings strategy that optimizes their investment and leads to a high paying job is commendable. I encourage every parent, grandparent and student to participate in this program that removes the cost of college as a barrier to a promising future."

## New Connecticut Tax Break for CHET

Earlier this year, the Connecticut General Assembly approved Nappier's proposal to establish a state income tax deduction for Connecticut families when they save for college with CHET. Under the new law, Connecticut residents are eligible to receive a deduction on contributions of up to \$5,000 for account holders who file a tax return as single, and \$10,000 for couples filing jointly. The deduction is available on state income tax returns filed in April 2007 for contributions made during the 2006 calendar year to a new or existing CHET account.

"Connecticut residents and taxpayers will now have a significant financial incentive to save for the expenses of higher education, and that's incredibly important for Connecticut's children, their families and our state's future," Nappier said. "For middle-class parents squeezed between saving for their children's college and the financial needs of their families, which may also include taking care of their parents, this will be welcome relief."

The tax deduction builds on a series of improvements made to CHET during the Nappier Administration, further encouraging families to save regularly for college expenses. CHET ended August with \$723 million in assets and nearly 52,000 accounts, compared with \$18 million in assets and just over 4,000 accounts when Nappier took office in 1999. Just over 800 new accounts were opened during August, the largest monthly total in nearly three years.

"Saving for college early is one of the most important things families can do for their children. A college education is the gateway to good jobs and good lives, but to get there takes both academic and financial preparation, and thanks to CHET, Connecticut citizens can begin the latter early. Even small regular savings to a CHET account will build your child's future opportunity. I know – I hold two accounts for my grandchildren," said **State Commissioner of Higher Education Valerie Lewis**.

## Lower Fees, Additional Investment Options

The total program management fees for CHET, already among the lowest in the industry, have recently been reduced further to just 0.65% of the average daily net assets, except for the

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Principal Plus Interest Option, for which the fee remains 0.01%. A recent national survey indicated that CHET was in the top quintile among state programs for lowest fees. The CHET program also has no sales charges, and no charges to open an account – a key difference with many other state 529 plans.

Earlier this summer, CHET added two new investment options for account owners, bringing the number of investment options to five. The new options, 100% Equity Index Option and 100% Fixed-Income Option, join the Age-Based Managed Allocation Option, High Equity Option and Principal Plus Interest Option, providing account owners a range of choices depending upon their risk tolerance.

A CHET account may be opened with as little as \$25, and contributions can be made using automatic deposit from checking or savings accounts or payroll deduction through nearly 500 participating employers throughout Connecticut.

"There is no better investment you can make in a child's future than saving for college. Making contributions early and often is the first step for ensuring that each student has the opportunity to attend the college of his or her choice," said **Mark Valenti, President of the Connecticut Student Loan Foundation**.

### **Congress Makes Federal Tax Incentive Permanent**

A month ago, Congress made the federal income tax exemption on earnings in 529 college savings programs permanent. The federal tax exemption, which was originally passed in 2001, was set to expire in 2010. A provision in the federal Pension Protection Act of 2006 made the 2001 law permanent.

"Among the many savings options available to families, 529 programs such as CHET provide significant tax advantages as well as a range of investment options to accommodate different risk tolerances," Nappier said. "These programs have become a central component for millions of families saving for the expenses of higher education, and now families know they can count on that federal benefit when their children are ready to go to college."

**University of Hartford President Walter Harrison** said "One important role for a parent is to help their child go to college. Our costs are going up, and we are trying to keep them down. CHET helps pay a parent's share of that cost. I fully support the CHET program and am grateful for Denise Nappier's commitment to this program, and Connecticut's future." **Norwalk Community College President Dr. David Levinson** added "A college education is critical for a successful career pathway in our knowledge economy. Connecticut's new 529 plan is the perfect vehicle for investing in your child's future."

### **CHET to Offer College Savings Seminars at Libraries Statewide**

Through the Connecticut Library Consortium, the CHET program will be offering a series of free College Savings Seminars at more than 30 public libraries throughout Connecticut beginning this month and continuing through the year. The seminars, conducted by a certified financial planner, will provide essential information about options available to save for future higher education costs. Among the libraries that have scheduled seminars this month are:

- **Hull Library (Clinton):** September 19<sup>th</sup>, 7:00-8:00p.m.
- **Bethel Library:** September 20<sup>th</sup>, 7:00-8:00p.m.
- **Torrington Library:** September 21<sup>st</sup>, 6:30-7:30p.m.

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- **East Hampton Library:** September 26<sup>th</sup>, 7:00-8:00p.m.
- **Mitchell Library (New Haven):** September 27<sup>th</sup>, 6:30-7:30p.m.
- **Gunn Library (Washington):** September 28<sup>th</sup>, 7:00-8:00p.m.

In addition to the seminars, most public libraries in Connecticut will have educational material about the CHET program and 529-college savings plans and numerous school districts will be providing CHET activity booklets to students. Seminars are also being conducted this month at a number of state agencies, including the Departments of Transportation, Environmental Protection, Agriculture, Administrative Services, Veteran Affairs, Education, Labor and Social Services. Additional information is available on [aboutchet.com](http://aboutchet.com).

### **Museums to Offer Special Admission, Information about CHET**

In addition 11 children's museums throughout Connecticut are offering special admission programs for visitors and providing information about CHET and college savings. Participating museums include:

- **The Barnum Museum** - (Bridgeport) – admit one free
- **Yale Peabody Museum**- (Address) – one free adult OR two free child admissions
- **The Children's Museum** - (West Hartford) – one free general admission with purchase of one paid general admission
- **Mystic Seaport** – one free youth admission (age 6-17) with purchase of one adult or senior admission.
- **New England Air Museum** - (Windsor Locks) – one free child admission with one paid adult admission
- **Discovery Museum & Planetarium**- (Bridgeport) – one free child admission with one paid adult admission
- **Beardsley Zoo** – (Bridgeport) – one free child admission with one paid adult admission
- **Stepping Stones Museum** – (Norwalk) – \$2 off general admission (up to 4 people)
- **Mystic Aquarium** – \$2 off admission (up to 6 people). also save \$10 on new membership
- **Mashantucket Pequot Museum** – \$2 off admission (up to 4 people)
- **The Maritime Aquarium** – (Norwalk) – one free child admission to "spongebob squarepants 4D ride" with one paid child admission to the IMAX theater and aquarium.

"Public libraries are looking forward to hosting CHET's college savings seminars this fall. Connecticut's families use their public libraries to find information about higher education, and, with the CHET seminars, they can also learn how to afford it," said **Christine Bradley, Executive Director of the Connecticut Library Consortium**. "The toddlers now enrolled in library story hours will be enrolling in college before we know it. This is why public libraries are pleased to join CHET in encouraging families to begin college savings programs as early as possible. Just as librarians try to hook children on reading as soon as they can, we applaud the treasurer's efforts to hook them on saving as well.

"The Connecticut Parent Teacher Association is proud to partner with and support the office of the Connecticut State treasurer and the CHET program, especially in their innovative offerings to provide educational opportunities and sound financial support to the children and families of Connecticut," added **Mark Princevalle, acting president of the Connecticut PTA**.

The CHET web site [www.aboutchet.com](http://www.aboutchet.com), offers on-line enrollment and complete information. Information and applications can also be obtained at 1-888-799-CHET (2438). A CHET account can be opened by any individual, including a grandparent, family friend or neighbor.

\*The College Savings Month news events were held at the University of Hartford Magnet School in West Hartford, the New Haven Free Public Library, and the Stepping Stones Children's Museum in Norwalk.

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**Tax Advantages:**

- Contributions to a CHET account grow free from federal and Connecticut income taxes.
- Withdrawals used for qualified expenses, including tuition, room and board, and other fees and expenses, and are free of both federal and Connecticut income taxes.
- **(NEW in 2006)** Starting in 2006, Connecticut taxpayers may take an income tax deduction for contributions to CHET of up to \$5000 per taxpayer or \$10,000 for couples filing jointly.

**Low Expenses:**

- The CHET program has no sales charges, and no charges to open an account – a key difference with many other state 529 plans.
- **(NEW in 2006)** The total program management fees for CHET, already among the lowest in the industry, have been lowered further to just 0.65% of the average daily net assets, except for the Principal Plus Interest Option, for which the fee remains 0.01%.

**Choice of Investment Options:**

- Age-Based Managed Allocation Option
- High Equity Option
- Principal Plus Interest Option
- **(NEW in 2006)** 100% Equity Index Option
- **(NEW in 2006)** 100% Fixed-Income Option

**Affordable and Flexible:**

- There are no income limits or annual contribution limits for CHET accounts.
- Any individual, such as a parent, grandparent or family friend can open a CHET account for a child with as little as \$25.
- Contributions can be made automatically from a personal checking or savings account, or through an employer that participates in payroll deduction.
- If a beneficiary decides not to attend college, funds can be transferred to another family member.
- Funds may be transferred from one investment option to another once per calendar year for the same beneficiary or any time upon a change of beneficiary.