



ILLINOIS
firststeps



Annual Report 2024

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Letter from the Treasurer



Growth is a consistent theme that ties all our programs together. Through our state investments, through our college and retirement savings programs, and through our initiatives that propel entrepreneurs and emerging technologies forward, we touch Illinois families at every stage of their life.

The Illinois First Steps program starts when a child is born. Illinois First Steps incentivizes families to start saving for their child's future education by providing every family in Illinois with a child born or adopted in 2023 or later with a free, one-time \$50 seed deposit when they open a Bright Start 529 or Bright Directions 529 College Savings account. The program was made possible due to the Illinois General Assembly annually setting aside \$2.5 million to establish a college savings incentive program.

With Illinois First Steps, we want to ensure Illinois families from all backgrounds know that our state is invested in their child's future. We also want to encourage families to start saving as early as possible, so that their invested money might grow as their child grows. Saving now means money for their child's future university, community college, trade school, or apprenticeship will be available when that child is ready to pursue additional education or training beyond high school. In today's economy, good paying jobs almost always require some form of post-secondary training or education: apprenticeships in a trade, vocational programs at a local community college, or a degree from a four-year university or college.

In these pages, I am proud to share our second annual report for the Illinois First Steps program. While the program remains relatively new, we are proud of its year-over-year growth. Since we launched Illinois First Steps, approximately 9,416 families have successfully claimed their \$50 Illinois First Steps seed deposit when they opened an Illinois 529 account. We saw substantial growth of the program, with 8,222 families

claiming in 2024, compared to 1,194 in the program's first fiscal year (during which the program was only operational for 6 months). The growth in Illinois First Steps also came at a time when strong account and savings growth propelled the Illinois 529 plans to almost \$20 billion in total assets and almost 900,000 total accounts.

Going forward, we want to make sure all Illinois families know of and claim their \$50 deposit through Illinois First Steps. This report provides detail on our work to spread the word about college savings through sending postcards and letters to new parents, educating financial advisors, going out to community events, and working with community-based organizations throughout the state. We want to be an investment partner to all Illinois parents because we believe that people are our state's greatest asset. We're proud to provide families with their first step in saving for their children's future education.

A handwritten signature in blue ink that reads "Michael Frerichs".

Michael W. Frerichs
Illinois State Treasurer



Executive Summary

Illinois First Steps provides all Illinois children born or adopted on or after January 1, 2023 a one-time \$50 seed deposit into their Illinois 529 college savings account. To claim the \$50 seed funding, parents or legal guardians of eligible children must open an Illinois Bright Start 529 or Bright Directions 529 college savings account before the child's 10th birthday and submit a claim during the enrollment process. To ensure families are informed of their eligibility, the Illinois State Treasurer's Office notifies all parents of eligible children through one or more mailings about Illinois First Steps.

Since the January 1, 2023 launch of Illinois First Steps:

- More than 9,400 Illinois families have claimed and received their Illinois First Steps one-time \$50 seed deposit.
- In 2024, the proportion of Illinois First Steps families who claimed their \$50 seed deposit more than tripled to approximately 7% of births in the state compared to the 2% uptake rate in 2023.
- Nearly 97% of parents and legal guardians made personal contributions into the child's Bright Start 529 or Bright Directions 529 account in addition to the initial \$50 seed deposit from Illinois First Steps.
- Since its inception, the Illinois First Steps program has disbursed a total of \$470,800 seed deposits into Illinois residents' Bright Start 529 and Bright Directions 529 accounts.

The primary goals of Illinois First Steps is to encourage parents and legal guardians to start saving for higher education early in their child's life. While many parents would like to start saving for their child's postsecondary education on the day of the child's birth, for many reasons, parents often cannot start saving until much later.

Before the launch of Illinois First Steps:

- The mean 2022 child age at which a parent opened an Illinois 529 college savings account for their child was 7.9 years and the median age was 6 years.

Since the launch of Illinois First Steps:

- The mean child age at which a parent opened an Illinois 529 account in 2024 had dropped to 5.2 years and the median age had declined to 3 years – implying the program may have meaningfully encouraged parents to start saving earlier than they historically have been.

The Illinois State Treasurer's Office remains dedicated to building awareness about all its programs, including its college savings initiatives.

- In the 2024 fiscal year (between July 1, 2023 and June 30, 2024) the State Treasurer's Civic Engagement team delivered information about Illinois First Steps and Bright Start 529 at 255 community events across Illinois. These events included engagements at schools, children's museums, public libraries, community centers, chambers of commerce, and county health departments.

Illinois First Steps has grown substantially in its first two years and continues to play a key role in placing children on an early path to higher education. We hope the program encourages families to dream big for their children and know that the Illinois State Treasurer's Office is invested in the future of all Illinois families, including its newest residents.



Illinois 529 Plans: Bright Start 529 & Bright Directions 529



What is a 529 account? A 529 college savings account is a state-sponsored, tax-advantaged investment plan that enables you to save money for a beneficiary's future education expenses.

The Illinois State Treasurer's Office serves as the Trustee and Administrator of two 529 higher education savings plans to help Illinois families save for post-secondary education: Bright Start Direct-Sold 529 College Savings Account (Bright Start 529) and Bright Directions Advisor-Guided 529 College Savings Account (Bright Directions 529). Both options are tax-advantaged investment plans enabling parents to save money for their children's future education expenses.

Bright Start 529 is a direct plan that individuals can sign up for and manage on their own, while **Bright Directions 529** is a plan that can only be accessed through a financial advisor. Both plans allow Illinois families to save while taking advantage of great federal and state tax benefits, such as:

- Tax deductible contributions for Illinois taxpayers (up to \$10,000 for individuals and \$20,000 for joint filers)
- Tax-deferred earnings while invested in the plans
- Tax-free withdrawals, when used for a qualified higher education expense (including tuition, required fees, books, supplies, room and board, and other expenses)

With college costs continuing to rise, the Illinois State Treasurer is proud to offer plans that are flexible and accessible to all savers. When families open a Bright Start 529 or Bright Directions 529 account, they benefit from:

- No annual fees
- No required minimum or ongoing contributions
- Flexible usage for higher education, including trade schools, vocational schools, apprenticeship programs, community colleges, 4-year institutions, and graduate schools.
- Availability to use at eligible schools, throughout the United States, and in dozens of countries abroad.

Treasurer Frerichs has worked to reduce plan fees and ensure more investment dollars go directly to college savings. Since 2015, the fee changes implemented by Treasurer Frerichs have saved families more than \$100 million.

The State Treasurer's Office also works to make the plans among the highest-quality college savings plans in the country. In recent years, reviewers *Morningstar*¹, *Forbes Advisor*, *Time Magazine* and *Savingforcollege.com* have all recognized Bright Start 529 and Bright Directions 529 as among the best 529 plans in the country.

Treasurer Frerichs' focus on quality and low cost has helped the plans grow from \$7 billion in assets in 2015 to over \$19.9 billion in assets as of June 30, 2024.

¹ In an annual review (10/29/2024) of the largest 529 college savings plans (59 plans representing more than 90% of 529 assets), Morningstar identified 32 plans that stand out above the rest, assigning those plans Gold, Silver, and Bronze Morningstar Analyst Ratings for 2024. These plans offer a well-researched asset-allocation approach, a robust process for selecting and monitoring underlying investments, a well-resourced and experienced investment team, stable and engaged oversight from the state, and low fees. Investors in what Morningstar analysts consider the best 529 plans should be well positioned for the future. The four key pillars used by Morningstar to evaluate 529 college savings plans are Process, People, Parent, and Price. For more information about Morningstar's overview of the Bright Start Direct-Sold College Savings Program, go to Morningstar.com. TIAA-CREF Tuition Financing, Inc. compensates Morningstar for the ability to quote these ratings in public communications. Past performance does not predict future results. Source: Morningstar.com. A Morningstar Analyst Rating for a 529 college savings plan is not a credit or risk rating. Analyst ratings are subjective in nature and should not be used as the sole basis for investment decisions.

Illinois First Steps, a Children's Savings Account



Children's Savings Accounts, or CSAs, are long-term savings or investment accounts that provide incentives for the parent or legal guardian of young children to build savings for the child's postsecondary education. CSAs have grown in popularity across the United States as research has confirmed their value. For example, research has shown that having a children's savings account dedicated to postsecondary education raises children's educational expectations about themselves.¹ Additionally, participating in a CSA program can improve children's social-emotional development and academic achievement.^{2,3} Overall, children who have a college savings account are approximately three times more likely to attend college.⁴

¹ Washington University, Center for Social Development
² Washington University, Center for Social Development
³ University of Kansas, Center on Assets, Education, and Inclusion
⁴ Washington University, Center for Social Development
⁵ Prosperity Now: A Landmark Moment For the Movement, The State of the Children's Savings Field 2023.

Given these outcomes, government and nonprofit entities have continued to launch CSA programs to invest in children's future education. These accounts typically offer seed deposits ranging from \$20 to \$500 to assist with savings and to encourage individuals to open an account. As of the end of 2023, 5.8 million children across 121 active programs in 39 states and DC had a Children's Savings Account.⁵



Photo: College Savings Event at Kidzeum of Health and Science in Springfield

Who Is Eligible?

Illinois First Steps is a college savings starter program that provides a one-time \$50 seed deposit into the 529 college savings accounts of children born or adopted to Illinois residents. To qualify for a \$50 seed deposit from Illinois First Steps, the parent or legal guardian must:



Live in Illinois

The parent or legal guardian must be a resident of Illinois at the time of the child's birth or adoption, and time of claim submission.



Have a New Child

The child listed as the beneficiary of the Bright Start 529 or Bright Directions 529 account must be born or adopted on or after January 1, 2023.



Open a Bright Start 529 Account

To claim the funds, the parent or legal guardian of the child born or adopted on or after January 1, 2023 must have a college savings account with Bright Start 529 (or Bright Directions 529 if they work with a financial advisor).



Claim Now

Parents or legal guardians must claim the \$50 seed deposit from Illinois First Steps before the child's 10th birthday.

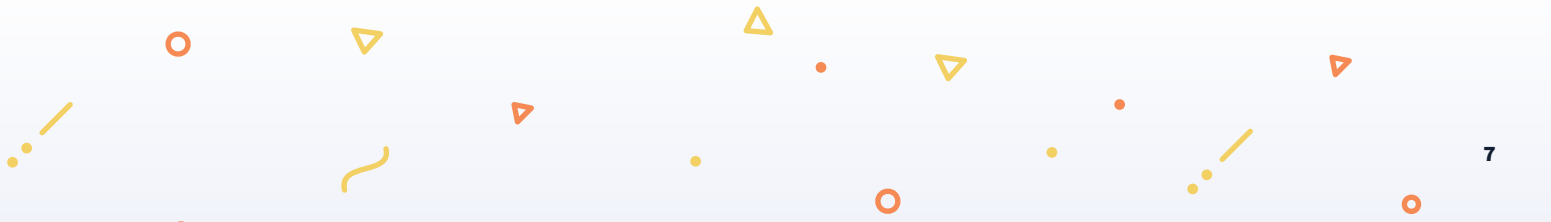
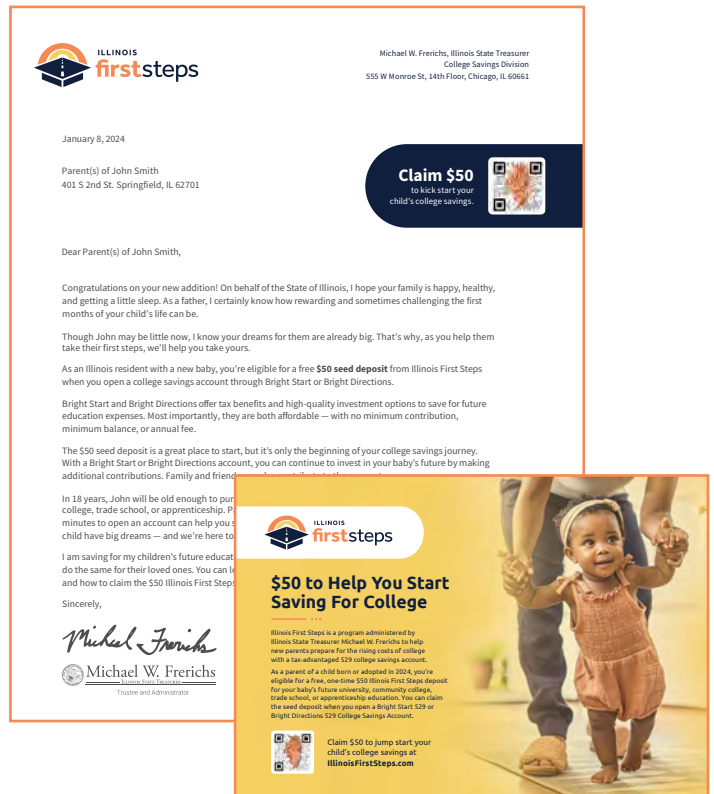
Informing New Parents



To claim the seed funding, parents or legal guardians of eligible children must open an Illinois-sponsored 529 college savings account and submit a claim for the \$50 seed deposit during the enrollment process. Illinois First Steps reviews and verifies the information submitted to validate the claim. No additional contribution is necessary to receive the Illinois First Steps seed deposit.

The Illinois State Treasurer is committed to ensuring all families are informed of their eligibility to receive \$50 to jump start their children's educational savings. All parents residing in Illinois with a child born or adopted on or after January 1, 2023, are notified through one or more mailings about Illinois First Steps and the process to claim their \$50 starter deposit.

In addition, the Illinois State Treasurer has committed to a mix of digital and in-person marketing to new and expecting parents to inform them about Illinois First Steps. State Treasurer staff has also shared information about Illinois First Steps at hundreds of events across Illinois.



Illinois First Steps: 18 Months of Progress

Illinois residents became eligible and could submit claims for Illinois First Steps on January 1, 2023. Illinois First Steps has now existed for a full fiscal year (2024) and a half (2023). This report includes Bright Start 529 and Bright Directions 529 account information through fiscal year 2024, which concluded on June 30, 2024. In the 18 months since Illinois residents became eligible for Illinois First Steps, 9,416 Illinois residents claimed and received their Illinois First Steps deposit. In the first 18 months, in total, the Illinois First Steps program disbursed \$470,800 to Illinois residents' Bright Start 529 and Bright Directions 529 accounts to jump start families' college savings.

To compare enrollment across geographies, the Illinois State Treasurer's Office utilized five different regions of the state delineated by the Illinois Department of Human Services (IDHS). Each region represents an aggregation of multiple Illinois counties, with the exception of Region 1, which solely represents Cook County.

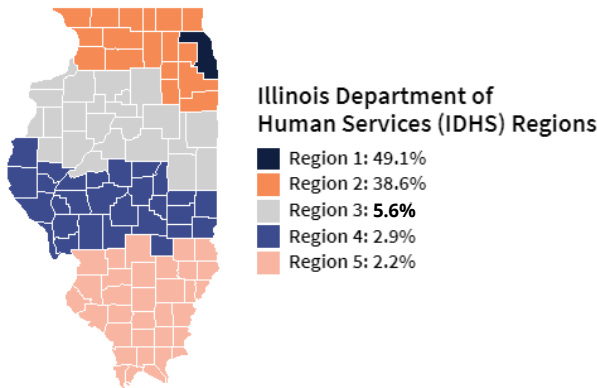
Of the 9,416 Illinois residents who claimed their Illinois First Steps seed deposit on or before June 30, 2024, 49.1% of claimants reside in Region 1, 38.6% reside in Region 2, 5.6% reside in Region 3, 2.9% reside in Region 4, and 2.2% reside in Region 5¹

The Illinois State Treasurer's Office will continue to track metrics for program success as the Illinois First Steps program continues to grow. To compare accurately between years, aggregate data, such as the total number of Bright Start 529 and Bright Directions 529 accounts, is separated between the first half and second half of each fiscal year.

Illinois First Steps Claims

Geographic Region	Fiscal Year 2023	Fiscal Year 2024
Region 1	54.1%	49.1%
Region 2	36.8%	38.6%
Region 3	4.6%	5.6%
Region 4	2.6%	2.9%
Region 5	2.1%	2.2%

Illinois First Steps claims by geographic region



¹ Percentages do not sum to 100.0% due to small number of outlier claims.

Start Saving Early

A primary goal of Illinois First Steps is to encourage parents to start saving for higher education early in their child’s lives. Before the launch of Illinois First Steps, the mean child’s age at which a parent opened an Illinois 529 college savings account for their child in 2022 was 7.9 years and the median age was 6 years. **After its launch, when reviewing age of beneficiaries under age 18, the mean child age at which a parent opened an Illinois 529 account for their child was 5.2 years and the median age was 3 years.**

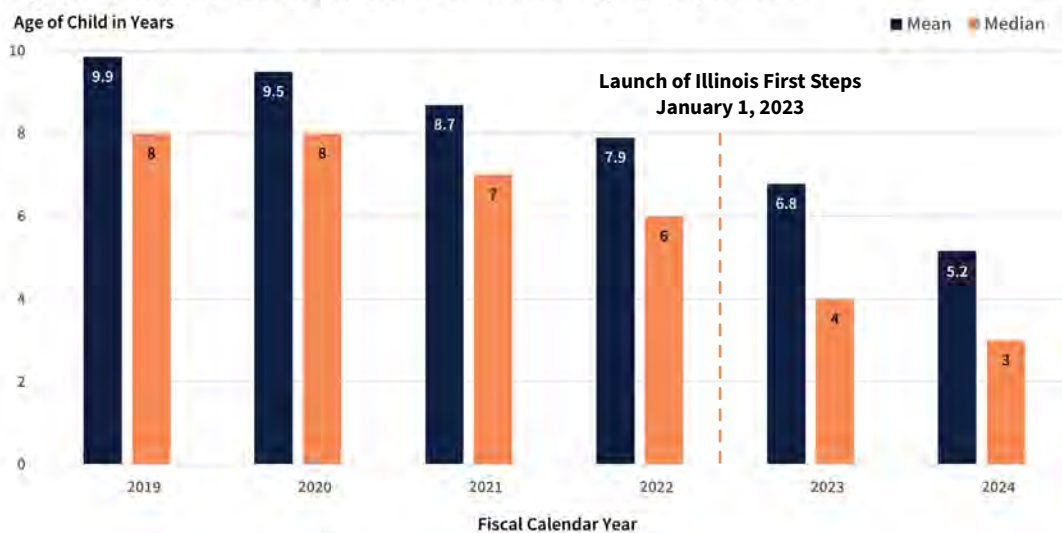
In fiscal year 2023, 2% of babies born in the first half of 2023 had claimed an Illinois First Steps deposit. When looking back at the babies born to Illinois residents in the first half of 2023, that percentage has grown to 7.07%, as 4,161 babies born in that time frame have claimed their Illinois First Steps deposits. All parents or legal guardians residing in Illinois with a child born or adopted on or after January 1, 2023 remain eligible for the Illinois First Steps \$50 deposit until the child’s tenth birthday. For babies born in the first half of 2023, the percentage of claims should continue to grow through the first half of 2023, as more parents become aware of the program and claim their Illinois First Steps deposits before the child’s tenth birthday.



Percent of All Illinois Births for Which an Illinois First Steps Claim Was Made

¹Totals do not sum to 9,416 due to small number of outlier claims.

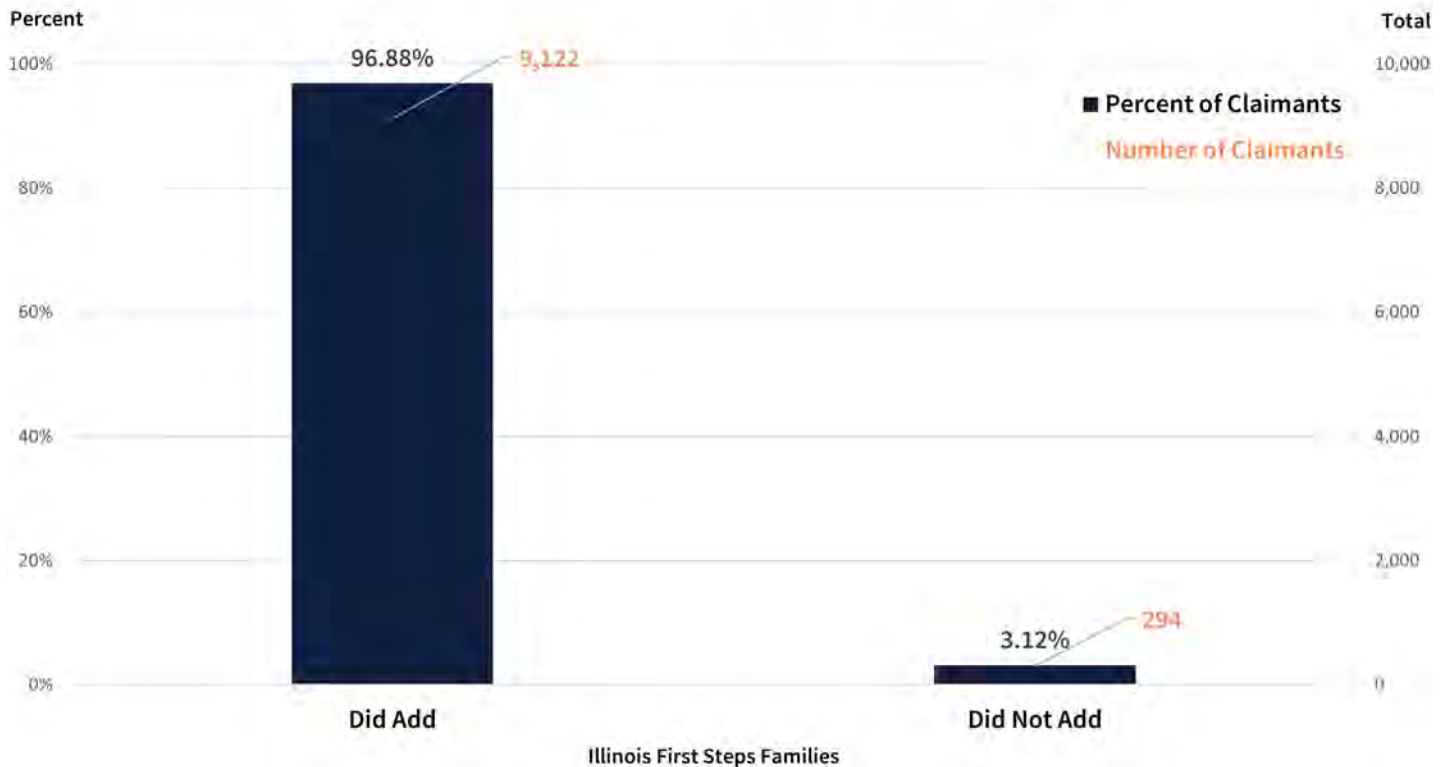
Age of child when parents opened an Illinois 529 college savings account



Encouraging Growth

Illinois First Steps provides a one-time \$50 seed deposit into the Illinois 529 college savings accounts of children born or adopted to Illinois residents. No additional contribution is necessary to receive the Illinois First Steps seed deposit. Many families choose to add personal contributions towards their child's educational savings. **Of the 9,416 Illinois First Steps claimants, 96.88% deposited their own funds in addition to the \$50 seed deposit.**

Percent of Claimants Who Deposit Their Own Funds in Addition to Seed Funding



Civic Engagement



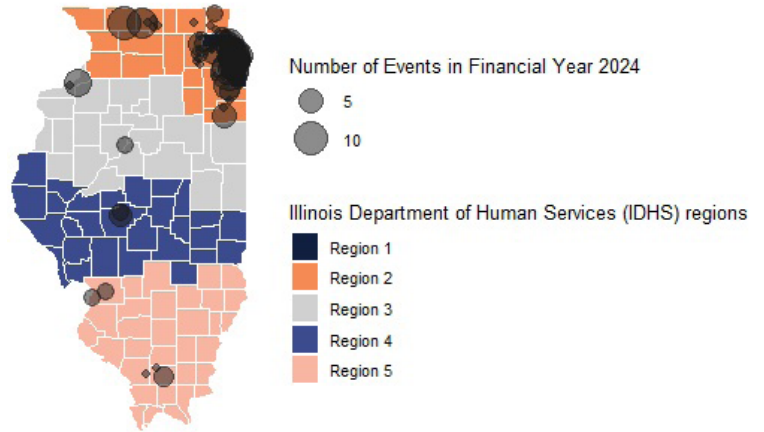
Photo: Chicago Children's Museum

The Illinois State Treasurer's Office is dedicated to helping families learn about the Office's programs, including its college savings initiatives. In the 2024 fiscal year (between July 1, 2023 and June 30, 2024), the State Treasurer's Civic Engagement team delivered information about Illinois First Steps and Bright Start 529, at 255 events across Illinois. These events included engagements at public libraries, community centers, chambers of commerce, hospitals, county health departments, and county fairs.

The College Savings Team focused on events to present Illinois First Steps and Bright Start 529, at schools, local non-profit and government agencies, including the Illinois State Board of Education, Simpson Academy for Young Women, the Annual Statewide Summit for Bilingual Parents, Prego Expo in Rosemont and the Healthy Mom Expo in Rockford.

Illinois First Steps is proud to work with community organizations across Illinois who are excited to promote the program to their families. Illinois First Steps partnered in the last year with several children's museums, including

Our Events Across Illinois



The Peoria Playhouse, Edwardsville Children's Museum and Springfield Kidzeum of Health and Science.

Through these relationships, the State Treasurer's Office looks forward to partnering with additional community organizations and encourage families across Illinois to claim their \$50 starter deposit from Illinois First Steps.

\$50 to Help You Start Saving for College
Jump start their college savings with a seed deposit from Illinois First Steps.

Recibe \$50 para ayudarte a empezar a ahorrar para la universidad.
Comienza a ahorrar para la universidad con un depósito inicial único de Illinois First Steps.



Visit us at IllinoisFirstSteps.com

To learn more about the Bright Start Direct-Sold College Savings Program, its investment objectives, risks, charges and expenses see the Plan Description at BrightStart.com before investing. Read it carefully. Investments in the Plan are neither insured (except as provided in the Plan Description solely with respect to the FDIC-insured Bank Savings Underlying Investment) nor guaranteed and there is the risk of investment loss. The Bright Start Direct-Sold College Savings Program is sponsored by the State of Illinois and administered by the Illinois State Treasurer, as Trustee. TIAA-CREF Individual & Institutional Services, LLC, Member FINRA, distributor and underwriter for the Bright Start Direct-Sold College Savings Program.

The Bright Directions College Savings Program is sponsored by the State of Illinois and administered by the Illinois State Treasurer, as Trustee. Union Bank and Trust Company serves as Program Manager and Northern Trust Securities, Inc., acts as Distributor. Balances in your Bright Directions account are not guaranteed or insured by Bright Directions, the State of Illinois, the Illinois State Treasurer, any other state or federal agency, Union Bank and Trust Company or any of its affiliates, Northern Trust Securities, Inc. or any of its affiliates, the Federal Deposit Insurance Corporation (except as provided in the Program Disclosure Statement solely with respect to the FDIC-insured Bank Savings Underlying Investment), or any other entity. An investor should consider the investment objectives, risks, and charges and expenses before investing. This and other important information is contained in the Bright Directions Advisor-Guided 529 College Savings Program Disclosure Statement, which can be obtained from your financial professional or at BrightDirections.com and should be read carefully before investing. You can lose money by investing in a portfolio. Each of the portfolios involves investment risks, which are described in the Program Disclosure Statement.

Prior to investing, check with your home state to learn if it offers tax or other benefits such as financial aid, scholarship funds or protection from creditors for investing in its own 529 plan.

Not FDIC Insured* / No Bank Guarantee / May Lose Value
(*Except for the Bank Savings Underlying Investment)



Michael W. Frerichs
Member State Treasurer
Trustee and Administrator

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