



OFFICE OF ILLINOIS STATE TREASURER

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Illinois State Treasurer Michael Frerichs Thanks Lawmakers for Passing Bill Allowing Leftover College Savings Funds to Be Used for Retirement

Frerichs Urges the Governor to Sign Bipartisan Proposal

SPRINGFIELD – Illinois Treasurer Michael Frerichs today thanked the General Assembly for passing his legislative initiative to allow parents who don't use all the money in their Illinois 529 College Savings Accounts (Bright Start and Bright Directions) to roll over the funds into a Roth IRA.

"One of the most common concerns parents have is what can be done with leftover money in an account. People worry that if their child doesn't go to college or gets a scholarship, that their savings will be lost," Frerichs said. "This will give parents another option for using their extra savings, and they can help their child get an early start on saving for retirement."

The House passed SB3133 by a vote of 109-0 and the Senate 59-0. Sen. Steve Stadelman was the chief Senate sponsor. Rep. Diane Blair-Sherlock was the chief House sponsor. The bill now goes to the governor's desk.

For the option to take effect in Illinois, lawmakers needed to change state law to allow the Roth IRA rollover option for [Bright Start](#) and [Bright Directions](#) 529 college savings account owners.

"Saving for your child's future education is responsible, and allowing leftover money to be used to help your child's retirement is a welcome change," said Blair-Sherlock of Villa Park.

"This is a common-sense change that will help parents and grandparents who open college savings accounts for their children and grandchildren," said Stadelman, whose district includes Rockford.

State law currently allows parents to leave leftover money in a Bright Start account for future use by another family member going to college or roll over the money into an Illinois ABLE account. The money also can be taken out as a nonqualified withdrawal, but there are tax implications, and people are encouraged to consult a tax professional.

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The new option is possible because Congress approved a measure in December 2022 changing Section 529 of the Internal Revenue Code to authorize tax- and penalty-free rollovers from college savings plans to Roth IRAs, with some limitations. The measure took effect on January 1, 2024.

The federal law set some limitations on college savings rollovers, including a \$35,000 lifetime limit on transfers, which also are subject to annual Roth IRA contribution limits (this year they are \$7,000 for people under 50). In addition, rollovers must be made to the college savings account beneficiary and not the owner. And rollovers only can be made from 529 accounts that have been active for 15 years and no contributions or investment earnings in the last five years are eligible for rollover.

About the Illinois Treasurer

The Illinois State Treasurer's Office is a powerful economic engine that invests in people to drive prosperity, development and growth throughout the state. As State Treasurer, Michael Frerichs (FRAIR'-iks) is the state's Chief Investment and Banking Officer and actively manages approximately \$60 billion. The investments help families pay for college and trade school; workers save for a dignified retirement; and local governments process bill payments more efficiently so they can pass along the savings to taxpayers. The office provides financial institutions money to loan to farmers, small business owners, and qualified individuals at below-market rates because better jobs create stronger communities. The office operates the state's largest consumer-protection initiative, the missing money I-Cash program, which has returned a record-breaking \$1.9 billion since Frerichs was elected.

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About the Illinois 529 College Savings Programs

The Bright Start Direct-Sold College Savings Program ("Bright Start") and the Bright Directions Advisor-Guided 529 College Savings Program ("Bright Directions") are part of the Illinois College Savings Pool and are designed to qualify as qualified tuition programs under the provisions of Section 529 of the Internal Revenue Code. Bright Start and Bright Directions are sponsored by the State of Illinois and administered by the Illinois State Treasurer, as Trustee. Union Bank & Trust Company serves as Program Manager, and Northern Trust Securities, Inc. acts as Distributor of the advisor-sold plan. Investments in Bright Start and Bright Directions are not guaranteed or insured by the State of Illinois, the Illinois State Treasurer, Union Bank & Trust Company, Northern Trust Securities, Inc., the Federal Deposit Insurance Corporation, or any other entity.

An investor should consider the investment objectives, risks, and charges and expenses associated with municipal fund securities before investing. This and other important information is contained in the fund prospectuses and the Bright Start Program Disclosure Statement and Bright Directions Program Disclosure Statement (issuer's official statement), which can be obtained from your financial professional, on [BrightStart.com](#), and [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.

An investor should consider, before investing, whether the investor's or designated beneficiary's home state offers any state tax or other benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in such state's 529 plan. Investors should consult a tax advisor.

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