

EDUCATION/COLLEGE

# College Savings 101: Understanding Washington State's 529 Plan Options

How to navigate the often-confusing college savings landscape

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**Editor's note:** This article was sponsored by the [Washington Student Achievement Council \(https://wsac.wa.gov/?utm\\_source=parentmap&utm\\_medium=web&utm\\_content=sponsored-content\)](https://wsac.wa.gov/?utm_source=parentmap&utm_medium=web&utm_content=sponsored-content).

Paying for college can be a daunting prospect for many parents; the average cost of four years at a private university is already topping \$140,000, and tuition costs are rising steadily. It's hard to save for the future when kids are so expensive right now, and choosing a college savings plan can be confusing. But folks at the [Washington Student Achievement Council \(https://wsac.wa.gov/?utm\\_source=parentmap&utm\\_medium=web&utm\\_content=sponsored-content\)](https://wsac.wa.gov/?utm_source=parentmap&utm_medium=web&utm_content=sponsored-content) want you to know that it doesn't have to be complicated. You can save more than you think, and any college savings is better than none.

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The Washington Student Achievement Council is the agency that administers the state's [financial aid and college savings programs \(https://wastate529.wa.gov/?utm\\_source=parentmap&utm\\_medium=web&utm\\_content=sponsored-content\)](https://wastate529.wa.gov/?utm_source=parentmap&utm_medium=web&utm_content=sponsored-content). College savings programs in Washington state and across the country are called "529 plans," in reference to Section 529 of the Internal Revenue Code, which authorizes state-sponsored tax-free tuition savings programs.

Nearly every state has at least one 529 option, and you can choose to invest in almost any of them. But if you find yourself overwhelmed by the options, Washington state offers two 529 plans that will cover most families' needs: [DreamAhead College Investment Plan \(https://wastate529.wa.gov/plan-intro/?utm\\_source=parentmap&utm\\_medium=web&utm\\_content=sponsored-content\)](https://wastate529.wa.gov/plan-intro/?utm_source=parentmap&utm_medium=web&utm_content=sponsored-content) and [Guaranteed Education Tuition \(https://wastate529.wa.gov/howgetworks/?utm\\_source=parentmap&utm\\_medium=web&utm\\_content=sponsored-content\)](https://wastate529.wa.gov/howgetworks/?utm_source=parentmap&utm_medium=web&utm_content=sponsored-content) (GET). Families can participate in either or both programs.

## DreamAhead

The DreamAhead College Investment Plan is the newer of the two plans.

“We opened DreamAhead in 2018. It was really from the feedback we were getting from the public that people were interested in a college investment plan,” says WA529 Director Luke Minor. Operating much like a 401K, DreamAhead offers parents a variety of mutual fund options. Parents can manage their own investments, but with the tax advantages of a 529 plan. If you are already comfortable with investing, the flexibility of DreamAhead may be right for you. It can also be a better choice if you’re getting a late start on college planning and don’t have many years left to save.

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So far, DreamAhead is performing well. In only its second year of operation, Morningstar gave the plan a Bronze rating (<https://www.morningstar.com/articles/1006084/the-top-529-college-savings-plans-of-2020>). “With DreamAhead, there is a potential for higher returns, but there is also more risk associated with those types of investments, compared to GET,” says Minor.

## GET

The GET prepaid tuition program is Washington’s original 529 plan. Each November, GET establishes the price of its tuition units for the next enrollment period. During that period, parents can open up new pay-as-you-go accounts to buy lump sum amounts of whole or partial units. Or they can set up a custom monthly savings plan and commit to purchasing a certain number of units at the current price by making monthly payments for a fixed amount of time (usually based on the child’s graduation date, but you can choose to finish faster).

Once your child reaches college, they can use their units. No matter how much tuition has risen since the initial enrollment period, 100 GET units will always be equal to the cost of one year of tuition at Washington’s most expensive public college (which is currently the University of Washington).

Although it is a bit more complicated to explain, Diana Hurley, the GET program’s

contact center manager, says GET is often the simpler choice for families because they can “set it and forget it” without having to manage investments. Minor says that GET is particularly popular with families that are uncomfortable with the risk of traditional investments and with those who are starting to save while their children are still very young.

## Washington's 529 plans

Although DreamAhead and GET provide different approaches to saving for college, they share a few very important similarities. Both GET and DreamAhead funds can be used to attend private or public universities in Washington or out-of-state institutions. Community colleges are eligible as well. Both programs offer tax-free gains; both programs have minimal impact on your eligibility for financial aid; and both give you options if your child doesn't wind up going to college.

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With DreamAhead, you can stay invested indefinitely in case they decide to go later; you can use the money to pay for another family member's education; or you can (with income taxes and a 10 percent IRS penalty on any gains) cash out the money. With GET, your child has 10 years following high school graduation to begin using their units; you can transfer the units to another child; or you can cash out your units (and pay taxes and any applicable penalties on any gains).

## 529 for education

People call 529s “college savings plans,” but DreamAhead and GET are actually “education savings plans.” Even if your child does not go to college, your 529 savings can still help them prepare for their future. Hurley's family provides an example of how beneficial college savings can be when things don't go to plan.

As a GET employee, Hurley set up her kids' GET accounts when they were both toddlers, assuming her son would use the money for college. And, at first, he did. He

was accepted to Washington State University at the beginning of the pandemic. A gap year felt like putting life on hold, so he began taking virtual classes in the fall. But the former honors student was miserable studying remotely for university. So, the Hurleys sat down to consider their options.

“My son didn’t realize he could use his GET money for other things, such as apprenticeships, which is new since 2019. So, we went through the list of things he could do – go to trade school; do an apprenticeship; go to community college,” says Hurley. Savings from a 529 can be used for any school that accepts federal financial aid. Every eligible institution has a [FAFSA \(Free Application for Federal Student Aid\) school code \(https://studentaid.gov/fafsa-app/FSCsearch\)](https://studentaid.gov/fafsa-app/FSCsearch) that you can look up online. There are eligible schools all over the country and even abroad that offer training in everything from cosmetology to HVAC maintenance, massage to aviation.

“Students can use the funds for tuition, books, room and board, and any supplies that are required to take the course. A few years ago, Congress updated 529 rules to add computers and internet, and even to repay up to \$10,000 of student loans,” says Hurley.

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Hurley’s son did a lot of research and decided to become a lineman at a school that was not eligible. But his GET funds still proved useful to buy everything he needs for his apprenticeship. The Hurleys will be able to transfer his leftover GET units to his younger sister when she is ready for college.

## **The bottom line**

Saving for college is a good idea, even if you’re not sure college is in your kid’s future, and even if you know you can’t save enough to pay for it all. Very few parents can. A more realistic goal may be to follow “[The 1/3 Rule \(https://www.savingforcollege.com/article/how-much-to-save-for-college\)](https://www.savingforcollege.com/article/how-much-to-save-for-college).” But even if saving part of a college education seems out of reach, Hurley says, “You don’t have to have 100 units. You can purchase

whatever fits your situation. When your student is ready to go to school, [those units] might purchase books or pay extra fees. Every little bit helps,” says Hurley.

Minor agrees. “Being overwhelmed holds up a lot of families. But small efforts add up over time. It’s never too early to get started.” He says some families even set up 529 accounts for their children before they are born and put them on their baby shower registry.

Hurley has one more bit of advice: Ask if you have questions. GET and DreamAhead both operate call centers to talk people through the process based on their particular circumstances.

## Learn more about Washington’s 529 plans

### GET

1.800.955.2318 (toll-free) or 360.753.7803 (Olympia)

[Learn more or get customer support \(https://wastate529.wa.gov/howgetworks/?utm\\_source=parentmap&utm\\_medium=web&utm\\_content=sponsored-content\)](https://wastate529.wa.gov/howgetworks/?utm_source=parentmap&utm_medium=web&utm_content=sponsored-content)

### DreamAhead

Monday – Friday 6 a.m.–5 p.m. PT at 1.844.529.5845 or 1.844.888.2253 (TTY)

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