



SeedMA: Fact Sheet

December 2015

What is SeedMA?

SeedMA is a universal, seed-funded savings account program, designed to help Massachusetts children and families save for higher education and postsecondary training.

The program, presently in the pilot stage, will be open to every kindergarten student enrolled in the Worcester Public School System for the 2016-2017 school year. Eventually this savings plan will become available to every kindergarten student in Massachusetts.

These accounts are offered through the Office of the State Treasurer and Receiver General of Massachusetts and are funded through public-private partnerships.

What is the overall purpose and goals of SeedMA?

The purpose of SeedMA is to help Massachusetts students and families save for higher education, graduate from postsecondary institutions, and learn essential financial literacy skills.

The SeedMA program will dedicate its resources in support of three principal goals. First, it aims to increase the percentage of children saving for higher education in the City of Worcester. Second, it seeks to deliver high-quality financial education programming to students and parents, building a culture centered on saving for the future and employing prudent budget management. Third, it strives to boost postsecondary enrollment and graduation rates for Worcester High School students, incentivizing aspirations of higher education for economically vulnerable and disadvantaged children.

What is a SeedMA Account?

Every account offered through SeedMA is a "529 plan," a tax-advantaged investment plan authorized by Section 529 of the Internal Revenue Code and designed to encourage savings for higher education. These accounts are specifically offered through the Massachusetts Educational Financing Authority's (MEFA) U.Fund, which is sponsored by the Commonwealth of Massachusetts and managed by Fidelity Investments.

Every SeedMA Account includes a \$50 deposit, to help jump start families on savings for future success. Earnings in a SeedMA Account grow tax-free, and qualified withdrawals are not subject to federal and state income taxes. Each account can hold a maximum of \$375,000 per beneficiary. In addition, contributions to the account are not tax-deductible and there are no account maintenance fees.





When can I sign up?

Open enrollment for \$eedMA will occur at the beginning of the 2016-2017 school year for kindergarten students enrolled in the Worcester Public School System.

How does it work?

Families interested in signing up for a \$eedMA Account will be asked to complete an online form on MEFA's website. After setting up the account, families can begin making contributions.

Why should I sign up?

\$eedMA Accounts are an effective way for families to manage the challenge of rising higher education costs. They are a proven tool that serves to cultivate educational attainment and aspirations for their children. Youth who grow up knowing they have a savings account that will help finance further education are more likely to succeed academically than those who do not. Research has also shown that children with an account are roughly seven times more likely to attend college than those without one.¹

Students and families in the \$eedMA program will also benefit from the financial education programming, integrated into the savings curriculum. For students, the benefits of learning key financial literacy principles extend beyond higher education aspirations and help them develop positive attitudes towards savings and financial institutions.²

Why was Worcester chosen as the pilot program city?

Worcester was selected as the pilot's gateway city because of its strong community networks, and its unique ability to take advantage of opportunities and solve problems. As the second largest city in New England, Worcester represents a diverse population in terms of educational attainment, income levels, and ethnicity. Combined with the many public and private colleges and universities in Greater Worcester, the city serves as an exemplary model for the pilot program. A new partnership among four public colleges and universities in the greater Worcester area – Fitchburg State University, Mount Wachusett Community College, Quinsigamond Community College, and Worcester State University – guarantees students the ability to earn their associate's and bachelor's degrees for \$30,000 in four years. This collaborative and entrepreneurial approach to tackle the challenge of rising tuition costs demonstrates this region's unique potential and promise when it comes to promoting college affordability.

1 William Elliot III and Sandra Beverly, "The Role of Savings and Wealth in Reducing 'Wilt' Between Expectations and College Attendance," George Warren Brown School of Social Work Center for Social Development (January 2010): 1-2.

2 Jermie Greer and Ezra Levin, "Scholarly Research on Children's Savings Accounts," Corporation for Enterprise Development (June 2014): 1-2.

