



This *TIPS Program Description* provides information about the Tennessee Investments Preparing Scholars matching grant incentive program (“TIPS Program”) and supplements the *TNStars Disclosure Brochure*. The *TIPS Program Description* and the *TNStars Disclosure Brochure*, both apply to the TNStars TIPS Matching Grant Account and participation in the TIPS Program. These documents should be read fully and carefully before participating in the TIPS Program as certain restrictions and conditions apply.

For more information about the TIPS Program, contact:

TIPS Matching Grant Program  
P.O. Box 55597  
Boston, MA 02205-5597  
(855) 3TN-STAR (386-7827) or (615) 741-1502  
[tnstars@tn.gov](mailto:tnstars@tn.gov)      [treasury.tn.gov/tips](https://treasury.tn.gov/tips)

For more information about TNStars, contact:

TNStars College Savings 529 Program  
P.O. Box 55597  
Boston, MA 02205-5597  
(855) 3TN-STAR (386-7827) or (615) 741-1502  
[tnstars.com](https://tnstars.com)

This *TIPS Program Description* does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in any State or other jurisdiction where, or to or from any person to or from whom, such offer or solicitation is unlawful or unauthorized.

### **Background**

The Board of Trustees of the Baccalaureate Education System Trust Fund Program (“Board”) has the authority to establish incentive plans to encourage Tennessee residents to participate in a Section 529 college savings program pursuant to Tennessee Code Annotated, Section 49-7-805(4). The Board is further authorized, pursuant to Tennessee Code Annotated, Section 49-7-808(d), to establish an incentive plan for the benefit of low income individuals. Through this authorization, the Board promulgated rules to implement this incentive plan, which will be known as the Tennessee Investments Preparing Scholars matching grant incentive program (“TIPS Program”). The rules are established in Chapter 1700-05-03 in the State of Tennessee Official Compilation of the Rules and Regulations. The TIPS Program is administered and managed by the Tennessee State Treasurer and the Tennessee Department of Treasury.

In order to be eligible to participate in the TIPS Program, you must meet the following qualifications: (1) the Beneficiary must reside with the participant and be Tennessee residents at the time that the application to participate in the TIPS Program is filed; (2) you must be a Member of the Family of the



Beneficiary; (3) the Beneficiary must be fourteen (14) years of age, or younger, at the time the application is filed; (4) you must meet the income eligibility requirements of up to two hundred fifty percent (250%) of the federal poverty guidelines; (5) you must open a TNStars college savings account; and (6) you must apply to participate in the TIPS Program during the Qualifying Period of August 1, 2023 to June 30, 2024.

Should you be determined to be eligible to participate in the TIPS Program, you must contribute at least twenty-five dollars (\$25.00) to your TNStars Contribution Account during the Qualifying Period of August 1, 2023 to June 30, 2024 in order to be eligible for any Matching Grant Funds. The State will provide the Matching Grant Funds, which shall be four (4) times your Grant-eligible Contributions. The maximum Matching Grant Funds provided by the State with a maximum Grant-eligible Contribution amount of one hundred twenty-five dollars (\$125.00) is five hundred dollars (\$500.00). The Matching Grant Funds must be used to fund your Beneficiary's Qualified Higher Education Expenses.

### **Glossary of Common Terms**

**As used in this Program Description, the capitalized terms shall have the meaning set forth below or as set forth within the *TNStars Disclosure Brochure*:**

**Grant-Eligible Contributions** (minimum Contribution) - means deposits made by the Participant in a TNStars Contribution Account during the Qualifying Period to a TNStars Contribution Account. Grant-Eligible Contributions may not exceed one hundred twenty-five dollars (\$125.00).

**Household** - means a group or individuals who are related by birth, marriage or adoption and who share a residence.

**Matching Grant Funds** - means the 4:1 ratio amount that is deposited by the State for each Beneficiary in the Beneficiary's TNStars TIPS Matching Grant Account after all eligibility requirements have been satisfied.

**Qualifying Period** - means the time period set by the Board each year during which a Participant must apply for the TIPS matching grant and make the qualifying Grant-eligible Contribution(s).

**TNStars Contribution Account** - means the system record established by the Participant in the TNStars College Savings Section 529 Program which contains the amount of Contributions maintained on behalf of a Beneficiary plus the earnings or losses incurred thereon, including any Withdrawals made from the Account.

**TNStars TIPS Matching Grant Account** - means the system record established in which the matching contribution is deposited by the State and maintained for each Beneficiary, after all eligibility requirements for participation have been satisfied.



## **Restrictions**

For the Qualifying Period will be established by the Board. The Matching Grant Funds will be awarded based on a first-come, first-served basis.

A Participant may only have one (1) Beneficiary on each TNStars Contribution Account that has a corresponding TNStars TIPS Matching Grant Account. A Participant may not have more than one (1) TNStars Contribution Account that has a corresponding TNStars TIPS Matching Grant Account in the same Beneficiary's name.

A Participant may not remove his or her name from a TNStars Contribution Account and the corresponding TNStars TIPS Matching Grant Account and substitute it with another Participant's name; however, a Participant's name may be removed from either account upon the Participant's death, divorce, or permanent disability.

A Beneficiary who has been designated as a Beneficiary on more than one (1) TNStars Contribution Account by two (2) or more TNStars Participants shall only be eligible for one (1) TIPS matching grant amount during each Qualifying Period and shall not be eligible to receive another Beneficiary's TIPS matching grant amount through a change of Beneficiary during that Qualifying Period.

A Participant may change the Beneficiary on his or her TNStars Contribution Account at any time, but may only change the Beneficiary on his or her TNStars Contribution Account and corresponding TNStars TIPS Matching Grant Account one (1) time. To change the Beneficiary for the TNStars Contribution Account, please refer to the TNStars Disclosure Brochure. To change the Beneficiary on the TNStars TIPS Matching Grant Account, please complete the *TIPS Change of Beneficiary Form* and submit the completed form to the TIPS Program. The new Beneficiary on the TNStars Contribution Account, that is also the new Beneficiary on the TNStars TIPS Matching Grant Account, will receive the Participant's Contributions and the Matching Grant Funds from the accounts that were in the previous Beneficiary's name, unless the new Beneficiary already has an existing account with another Participant.

Rollover of TIPS matching grant funds is not permitted. Also, if funds in the correlating TNStars account are rolled over to another plan, the balance in the TNStars account should not become less than the balance in the TIPS accounts. Otherwise, the amount in the TIPS account that exceeds the balance in the TNStars account will be forfeited.



**Eligibility**

An eligible Participant must be a resident of the State of Tennessee and live in a Household with a Beneficiary for whom the matching grant is being requested. The total 2022-2023 Federal Adjusted Gross Income for all members of the Household must be less than the amount(s) listed below:

**2023 Poverty Guidelines:**

48 Contiguous States

(all states except AK and HI)

Household/ Family Size	250%
1	\$36,450
2	\$49,300
3	\$62,150
4	\$75,000
5	\$87,850
6	\$100,700
7	\$113,550
8	\$126,400
Each additional person, add:	\$12,850

**Each Participant must apply each year for the matching grant using the total Household income from the stated tax year for the Qualifying Period regardless of whether a Participant has been approved to participate in the TIPS Program in a previous Qualifying Period.** Applications are processed on a first-come, first-served basis. Each Beneficiary may receive only one (1) matching grant per year, but there is no limit to the number of Beneficiaries from the same Household that can be eligible for the TIPS Program. The TNStars Participant cannot be claimed as the dependent on someone else’s federal income tax return.



## **How to Apply for TIPS**

To apply to TIPS, you must open a TNStars account. For more information on opening a TNStars account, refer to the *TNStars Disclosure Brochure*.

You must also submit a *TIPS Program Application* to the TIPS Program during the Qualifying Period. The application can be obtained by:

- Going online to the TIPS Program website, <https://treasury.tn.gov/tips>;
- Calling the TIPS Program at 615-741-1502;
- Faxing the TIPS Program at 615-401-6816;
- Writing to the TIPS Program at P.O. Box 55597, Boston, MA 02205-5597.

Once the application has been submitted in accordance with the applicant's instructions, it will be reviewed by the TIPS Program. If approved, the TIPS Program will open a TNStars TIPS Matching Grant Account based on your TNStars account information along with the *TIPS Program Application*. The TNStars account that you establish will be registered as your "TNStars Contribution Account," and it will hold your Grant-eligible Contributions (and all your other TNStars Contributions). The other account, the TNStars TIPS Matching Grant Account, will be registered as your "Match Account," and it will hold the Matching Grant Funds that you may receive from the State of Tennessee after the end of the Qualifying Period (June 30<sup>th</sup> of each year). The Beneficiary that you designate will be used for both accounts.

## **Eligible Contributions**

There is no limitation on the amount you may contribute to your TNStars Contribution Account; however, you will only receive Matching Grant Funds for those Contributions made during the Qualifying Period that do not exceed one hundred twenty-five dollars (\$125.00). Matching Grant Funds will be made on a four (4) to one (1) ratio, as illustrated in the chart below, which means that you will receive four (4) times your Contribution amount that does not exceed one hundred twenty-five dollars (\$125.00).

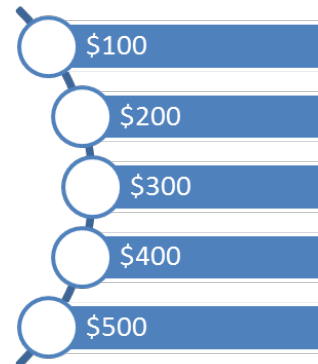
The following chart provides examples of Contribution amounts that may be made by a Participant, along with the corresponding matching grant amount that a Participant would receive; Contributions are not required to be made in the increments provided in the chart. For example, if you contribute at least one hundred twenty-five dollars (\$125.00) during the Qualifying Period, you will be eligible to receive the maximum grant match amount of five hundred dollars (\$500.00) into your TNStars TIPS Matching Grant Account. Similarly, if you contribute seventy-five dollars (\$75.00) during the Qualifying Period, you will be eligible for three hundred dollars (\$300.00) in Matching Grant Funds.

A minimum twenty-five dollar (\$25.00) Contribution is required in order to be eligible for Matching Grant Funds. Before making a Contribution, you should carefully consider your risk tolerance, investment horizon, college savings goal and overall investment objectives. Contributions must be made by the TNStars Contribution Participant.

TNStars Contribution Account Threshold



TIPS Matching Grant Amount



### **How the Match Occurs**

At the end of each Qualifying Period (June 30<sup>th</sup>), the TIPS Program will review Contributions to your TNStars Contribution Account to determine the amount of Matching Grant Funds that you are eligible to receive and make a deposit into your TNStars TIPS Matching Grant Account after the end of the Qualifying Period. The lifetime maximum benefit (Matching Grant) is \$1,500 per child.

If you take a Withdrawal from your TNStars Contribution Account at any time during the Qualifying Period that is equal to or more than the Contributions made to your TNStars Contribution Account during that qualifying period, you will not receive a Matching Grant for Contributions made to your corresponding TNStars Contribution Account. If you take a Withdrawal from your TNStars Contribution Account at any time during the Qualifying Period that is less than the Contributions made to your TNStars Contribution Account during that qualifying period, you may be eligible for a Matching Grant provided that after the withdrawal, at least twenty-five dollars (\$25.00) in Contributions made during that Qualifying Period remains in your TNStars Contribution Account. The amount of the Matching Grant will be based on the Contributions made to your TNStars Contribution Account during the qualifying period, minus the amount of any Withdrawals during that period.

TIPS Matching Grant Funds will be invested in the TNStars Age-Based Investment Option based on the age of the Beneficiary after the end of the Qualifying Period. *Please review the TNStars Disclosure Brochure for additional information, including important information related to investment risk.*



### **Withdrawals of the Matching Grant Funds**

Only Qualified Withdrawals are allowed from the TNStars TIPS Matching Grant Account. You are responsible for ensuring that you will not make a Non-Qualified Withdrawal from your TNStars TIPS Matching Grant Account. A Non-Qualified Withdrawal would be a Withdrawal of monies that would not go toward a Beneficiary's Qualified Higher Education Expenses. To make a Withdrawal from your TNStars TIPS Matching Grant Account, you must submit a *TIPS Withdrawal Form* to the TIPS Program requesting payment of Qualified Higher Education Expenses at an Eligible Educational Institution. Requests for Withdrawals must be submitted in writing on the *TIPS Withdrawal Form* that can be obtained by visiting [treasury.tn.gov/tips](https://treasury.tn.gov/tips).

### **Time Period for Use**

If a period of ten (10) consecutive years passes with no Contributions having been made to the Account or with no correspondence from the Beneficiary, the Participant or, if applicable, the Successor Participant or an authorized Agent, the Program will make reasonable efforts to locate the Beneficiary, the Participant or, if applicable, the Successor Participant or authorized Agent. If the efforts are not successful in contacting any of these parties, the Program will report and deliver, as unclaimed property, to the Tennessee State Treasurer an amount equal to the principal invested through Purchaser contributions and the earnings or losses incurred thereon, minus the Matching contributions. The Matching contributions will be forfeited and revert back to the Board. The ten-year period will not commence until the later of the year (i) the Beneficiary turns eighteen (18) years of age or (ii) the Account was established.

### **Tax Issues**

The State of Tennessee; the Tennessee Department of Treasury; the Board; TNStars and the TIPS Program are not authorized to provide legal, financial or tax advice. You should consult with your own tax advisor regarding the tax treatment for the Matching Grant Funds. The balance in your TNStars TIPS Matching Grant Account for a designated Beneficiary, which will be comprised of the Matching Grant Funds from the State and any earnings, if any, on that amount, will be treated as earnings. If the Internal Revenue Service determines that the Matching Grant Funds are subject to federal income taxation in the year the grant is awarded or the year in which the funds are withdrawn, you may incur a tax event. Matching Grant Funds and earnings should only be used for Qualified Higher Education Expenses, as defined under Section 529 of the Internal Revenue Code and the regulations promulgated thereunder. It is possible that if the Internal Revenue Service determines that you have made a Non-Qualified Withdrawal for the designated Beneficiary on the TNStars TIPS Matching Grant Account, the Withdrawal may be subject to federal income taxation and may also be subject to a ten percent (10%) federal tax penalty. Prospective and existing Participants should consult their legal, financial and/or tax advisors relative to a Participant's participation in the TIPS Program.