

Bachmann Family Testimony

Our Personal Story: We set up two MD PrePaid College Trust (MPCT) accounts for our two sons- Charles and George- in 2001 and 2003, respectively. Over the course of 18-20 years, we paid \$75,590 into the (MPCT) program. On Dec. 31, 2021, our payments PLUS earnings showed a total value of \$117,003.56, in line with our expectations and the 6 percent “since the inception return rate” contract.

It was with that knowledge and understanding that the value of our college investment accounts was over \$117,000, we made the decision to accept an offer for our son George to attend a private university.

I also understood that we could Rollover 100% of the earnings on our payments into another qualified 529 plan, which gave us greater flexibility in making payments. That is what we intended to do just before we had to pay our son’s first tuition payment in August/September 2022.

Imagine our shock when we learned that the earnings had been effectively zero’d out. Today, our FAFSA statement reads like a horror show--\$60,000 just wiped away—leaving us incapable of paying our son’s tuition bills without taking out loans at exorbitant interest rates. We’ve appealed several times over the last year, but we haven’t received a word.

What needs to happen/What we need the General Assembly to do:

- 1) **Restore our earnings, as quickly as possible.** We have tuition bills to pay. Indeed, an amendment needs to be added that prioritizes account holders like us who are already incurring college tuition expenses from the time of the earning freeze to the present and for those whose children will be attending in the Fall 2023.
- 2) **Restore our 6% investment earnings** benefit for prior years. **Authorize the State Treasurer** to grant and apply account holders a 6% earnings rate compounded monthly on account balances from the date of contribution to the date of the transfer.

Intuition needs to reinstate the correct earnings calculation for account holders to comply with the contract terms that resulted in the December 2021 statement FAFSA values.

- 3) The MD PrePaid College Trust has **our money (Our contributions + Our earnings)**, and should be the **first source of funding to honor our contracts**. The 2022 annual report indicated the Trust had \$1.2B in assets that included a \$355.6M surplus as well as \$321M set aside for accrued earnings. In addition, MPCT operating surplus is invested in a Money Market Mutual fund and has been maintained in an account held by Wells Fargo (as of June 30, 2022, the amount invested in this account was \$13,321,779).
- 4) If necessary, the Maryland State rainy day fund (\$2.9B) and/or the Maryland State General fund (\$2B) can be used as other states have done when their PrePaid Trust plans became insolvent.

Respectfully,

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