

Featured Interview with State Treasurer Shawn Wooden:

Written by: Reggie Hales

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Featured Interview with State Treasurer Shawn Wooden: Rather than a Head-in-the-Sand Strategy: Plan as Soon as the Sandbox. By Kent Ashworth / Inquiring News / Photos By Marc Yves Regis

Hartford – A head-in-the-sand style may work pretty well for an ostrich, but not for a budget planner, whether the promises are from the State to fund employees’ retirement – or from new parents to their newborn babies, of real opportunities to succeed when they become adults.

Policy makers and parents can both take a lesson from history, State Treasurer Shawn Wooden advised in an interview last week. Be proactive, not passive, in financial planning – and stay alert to the springboards available to help pay for college and trade school costs, he urged.

The lessons of kicking the can down the road are painful. The difference between the assets and liabilities of the nation’s 50 state-run pension systems exceeds \$1 trillion (for state employees, teachers, police officers, firefighters, university professors, and other state and local public employees), according to a study issued last month by the Pew Charitable Trusts.

Like many states, CT is now stabilizing its Teachers’ Retirement Fund, making up for deferral of action for many years on the required contributions – and the rose-colored-glasses assumptions of unrealistically high rates of return on investments. “There have been decades of failure by politicians to have the will

to focus on the situation, and that led to the point of nearly crippling liabilities,” Wooden reflected.

Start at Sandbox Time

For education – especially to close the opportunity gap – the power of starting early to invest wisely is clear, Treasurer Wooden emphasized. Taking action earlier than later, parents can use the [CT Higher Education Trust \(CHET\)](#) to open an account for as little as \$25 and build a nest egg.

Indeed, the [CHET Baby Scholars Program](#) automatically deposits \$100 into your account when you enroll. If the account is opened with \$150 (or more), a full \$250 match will be triggered.

When the account (and the baby) grow up, the money can be used at any state or private college, technical school, or community college that offers financial aid – even schools outside the U.S. – and tax-free, qualified withdrawals can be used for tuition, certain room and board, books, computers and related technology costs (the [aboutchet.com website](#) has details).

The State’s CHET direct-sold college savings plan was established in 1997 and had grown last year to more than \$2.9 billion in assets and 125,000 accounts. Nearly \$1.9 billion has been withdrawn from CHET accounts to help more than 51,000 students pay for college expenses.

So-called “529 plans” are named after Section 529 of the Internal Revenue Code, which authorizes tax-free status for qualified tuition programs. The earnings in 529 plans accumulate on a tax-deferred basis and distributions are not taxed federally when used for qualified higher education expenses, defined over the years to include computers and up to \$10,000 annually in K-12 tuition.

Connecticut residents are allowed to deduct their 529 plan contributions from their state income taxes – up to \$5,000 for an individual or up to \$10,000 for a married couple filing jointly. Investment earnings are exempt from state and federal taxes if used for qualified educational expenses.

At a personal finances and budgeting seminar last week for Central CT State University students, Treasurer Wooden underscored the importance of being proactive. He urged students to learn the fundamentals of finance to be set up for success in college and in their finances and careers – from navigating the challenges of paying for college to building financial security for themselves and their families. “Learning the fundamentals of finance can forever change your life,” he said.

The challenges facing parents and their college and career-bound students are real: Connecticut is ranked 6th highest in the nation for college graduates with student debt, with an average of more than \$31,000 per borrower. At the same time, according to the 2018 National Financial Capability Study, young adults

(ages 18-34) have the highest levels of stress and anxiety about their personal finances, more than any other age group.

Scaling Up Job Connections

Gone are the days of youth entering the auto or aircraft industries and vaulting into high-paying jobs to support their families, lifted merely by a high school diploma.

Today, Wooden noted, he supports such approaches as the Advanced Manufacturing Pipeline Initiative, in which Electric Boat works with technical high schools and community colleges in southeast CT to place nine out of 10 young people in the available jobs by preparing them to meet those positions' specific demands.

Promoting that concept statewide, Wooden said, he advocates partnerships among Workforce Development Boards, businesses, secondary and technical schools and community colleges – which can be used as a greater resource to help connect graduates to actual job openings.

The youngest of six children, Treasurer Wooden won a scholarship to Trinity College and earned his law degree from NYU, before serving as president of the Hartford City Council. Having grown up in a North Hartford working family, he understands the necessity of big families taking care of the small details, whether it's schoolwork or the necessity of putting everyone's chores on a chart to keep things organized and moving.

“I had my own chart,” he recalled. Maybe we all should.