

Saving for College

Planning for college expenses

A college education is one of the best investments in a child's future. It is also one of the most expensive. Not only is there tuition costs and mandatory fees, but there are books, room and board, as well as personal expenses. Typically families focus on paying for their child's college education while their child is in school through family income and financial aid and after their child graduates through student (or parent) loans. But by beginning to save when a child is young, the family is able to spread the cost of a college education over the course of many years.

As with any major expense, the sooner you start planning for your child's college expenses and saving, the more time you will have to accumulate and grow funds. By planning and saving for college, you may be able to:

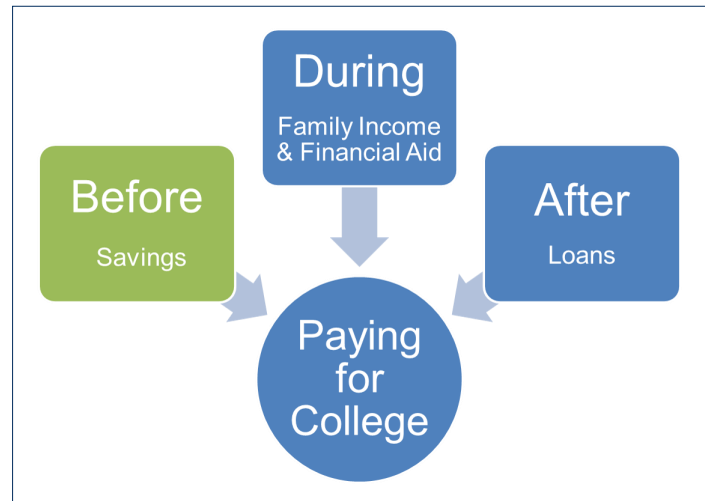
- Select the school that is the best academic and social fit for your children, knowing that you have savings put aside for their education
- Reduce your reliance on parent and student loans to finance your student's education
- Reduce the stress typically associated with paying for a college education knowing that you have planned and saved for this moment.

These savings plans can supplement financial aid to provide a comprehensive college financing strategy. By starting a college savings plan, you will have more financial options when it is time for your child to enroll in a college or university.

Increasing College Access

Recently, there have been several research findings that illustrate the benefits of families having a dedicated college savings account especially as college savings is one of the key factors in creating a college-bound identity.

3-Tiered approach to paying for college



The Assets and Education Initiative at the University of Kansas states that:

Children with \$500 or less saved for college are three times more likely to enroll and four times more likely to graduate from college than children without an account.

These accounts can significantly increase the college attainment rate for families in the lower income ranges. For middle income families - those who have college savings accounts typically do not take out college loans to finance their college degree - or if they do, they take out very modest loans. College savings impacts families at all income levels.

College Savings Options

There are two types of tax-advantaged savings vehicles designed to encourage saving for future education costs: Coverdell Education Savings Accounts and 529 Plans. The main advantage of these options is that earnings and distributions are free from federal and state income tax if used for education.

Coverdell Education Savings Accounts

A Coverdell Education Savings Account (Coverdell ESA) is a trust or custodial account that can be used by families with a modified adjusted gross income of less than \$110,000 (single) or \$220,000 (married). Contributions to this type of account are limited to \$2,000/beneficiary/year (regardless of the number of accounts established for that beneficiary). A Coverdell ESA can be used to pay a student's eligible kindergarten through 12th grade expenses, as well as post-secondary expenses

529 Plans

A 529 plan is a tax-advantaged savings plan designed to encourage saving for future college costs. The main advantage of a 529 plan is that earnings and distributions are free from federal and state income tax if used for education.

When beginning your research on college savings options and more specifically 529 Plans, it is important to determine what incentives your home state provides to residents participating in their home state's plan. Over 30 states offer an incentive such as a tax deduction, tax credit, or a matching contribution. You may want to check your state 529 plan's website to determine what incentives are available for state residents.

There are two types of state-sponsored 529 plans: pre-paid tuition plans and college savings plans. **Pre-paid tuition plans** offer families the opportunity to lock-in the cost of tuition at the time of purchase for use at a later date. These pre-paid tuition plans can typically only be used for tuition and mandatory fees and are guaranteed by the state government.

College savings plans can be used for all qualified higher education expenses including tuition, fees, room, board, books and supplies. These savings plans are investment accounts and include investment options such as stock or bond mutual funds, money market funds, and age-based portfolios. These age-based options shift toward more conservative investments to protect the investment from market volatility as the beneficiary gets closer to college age.

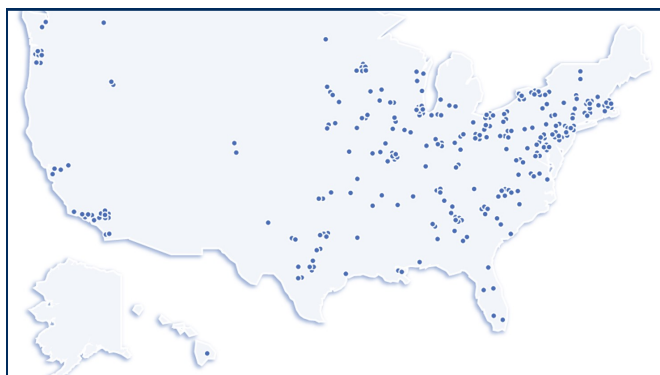
To enroll in state-sponsored options, you may enroll online directly through each plan's website or you may choose to enroll through a financial advisor.

Private College 529

In addition to the state-sponsored options, there is one **pre-paid tuition plan** that is sponsored by a group of private colleges and universities, the Private College 529 Plan. The Private College 529 Plan (PC 529) is a tax-advantaged pre-paid tuition plan. Families may purchase tuition at today's prices and redeem tuition certificates at any of the participating colleges or universities for up to 30 years. Regardless of how much tuition rises at member colleges or how financial markets perform, member schools guarantee the tuition benefit. PC 529 is one of the few 529 plans where the participant does not pay any fees. PC 529 also offers many of the same attractive tax benefits found in traditional 529 plans.

PC 529 is sponsored by over 275 private colleges and universities including the University of Notre Dame and Saint Mary's College. Participating schools span the country and include science & engineering schools, traditional liberal arts colleges, historically black colleges, religiously affiliated colleges, research universities and women's colleges—with more schools joining all the time.

PC 529 is the only plan that offers prepaid tuition across the nation for private colleges.



Private College 529 Plan Member Schools Span the Country

Please Note: There are many savings vehicles available to help you meet your family's needs. You may want to consult with a financial advisor or a tax professional to help you select a savings vehicle that best fits your individual needs. The information provided is meant to inform you of the various options and does not constitute financial advice.