



Saving for College - Indiana

Information Session

Spring 2015



Today's Discussion

- Overview
- College Savings Options
- Selecting a 529 Plan
- Indiana 529 Plans
- Private College 529 Plan
- Next Steps
- Additional Resources

OVERVIEW

Why ND Promotes Saving for College

Increase
Affordability

Assist with lessening the financial impact of the “Family Share”

- Some families prefer the flexibility of a savings plan account and others prefer the conservative nature of the tuition guarantee of a prepaid tuition account – at ND we support both types of plans

Increase
Access

Increase access to higher education within lower income families

- Research shows that starting savings accounts for children at a young age increases the prospects that they will attend college

\$1 Makes a Difference

Children in low to moderate income families with as little as \$1 in a college savings account are:

3x's

More likely to enroll and attend a post-secondary institution

4x's

More likely to graduate from the post-secondary institution

May be better prepared academically due to early engagement and achievement in school

College Savings Reduces Student Debt

Students with a college savings account:

are less likely to incur student loan debt

have \$3,200 less student debt on average
(for those that graduate with debt)

than those without a college savings account.

ND's Role in Saving for College

We, at Notre Dame.....

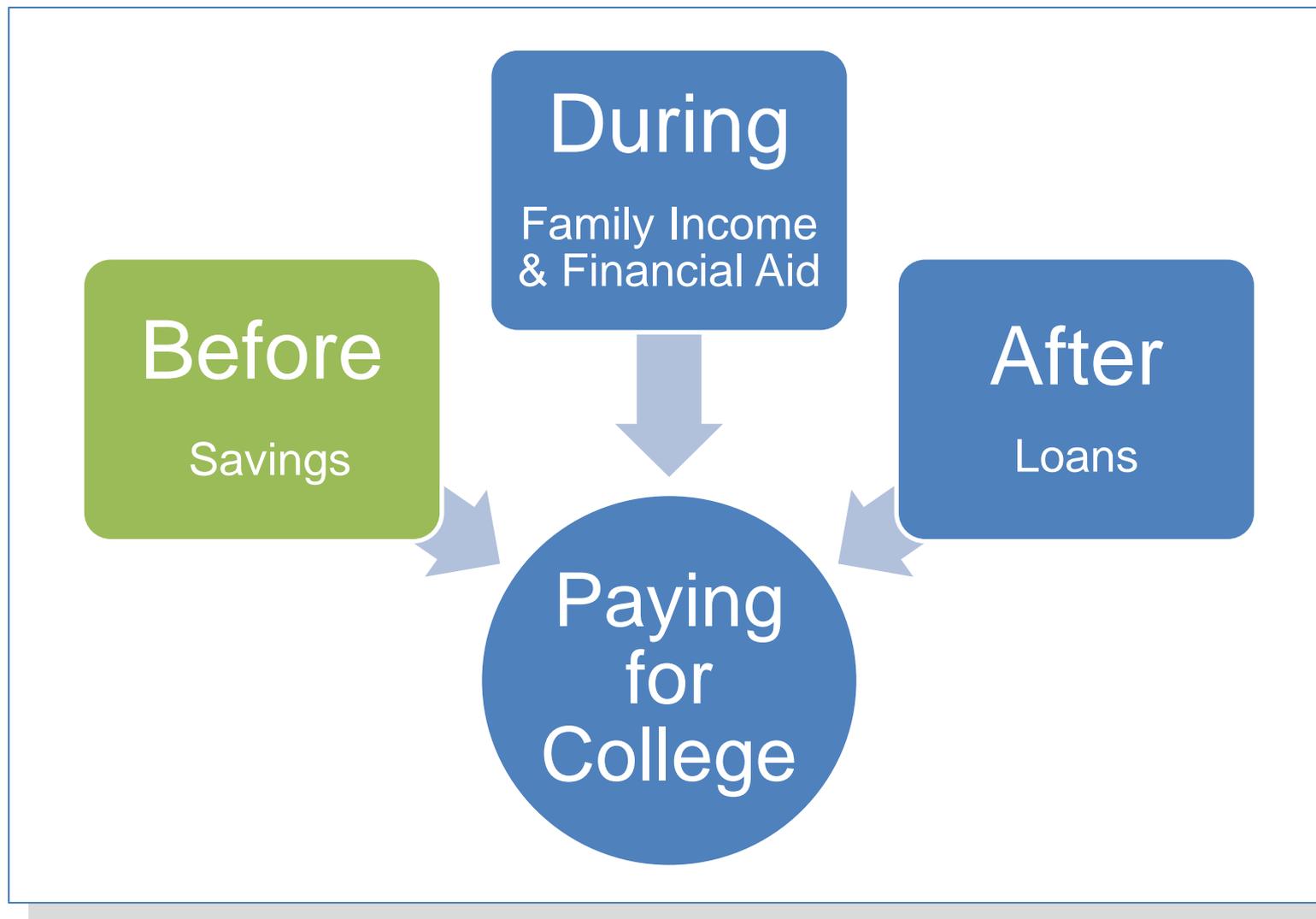
Are Not:
Financial Advisors

Trying to :
Sell financial products

Are:
Champions of College
Affordability & Partners in the
Private College 529 Plan

Trying to:
Educate our constituents on
various college savings
vehicles available and the
benefits of saving for higher
education

3-Tiered Approach to Paying for College



Saving now can ease post-college debt

\$35,000 for College: Save or Borrow?



Save for College:

earn interest

Borrow for College:

pay interest

**Cheaper to save than to
borrow for college**

How much should you save/prepay?

Estimate 4-year cost

- Use online calculators
- Net price calculators
- White House Scorecard

Understand Financial Aid

- Financial aid includes grants & scholarships; may include loans and work

Determine Savings Goal

- Most families can't save 100%; save as much as you can

Select Savings Vehicle

Total Charges History (in 2014 Dollars)



Average Tuition, Fee, Room and Board Charges Published Charges & Net of Aid

Tuition, Fees, Room & Board	1993/94	2013/14	% Increase
Public 4-Year Colleges			
Published	\$10,050	\$18,390	83%
Net of Aid	\$7,990	\$12,620	58%
Private 4-Year Colleges			
Published	\$25,550	\$40,920	60%
Net of Aid	\$17,970	\$23,290	30%

SOURCE: The College Board

College Savings Supplement Financial Aid

- Financial Aid policies differ based on school
 - Notre Dame is one of 69 schools that meets full demonstrated need
 - Other schools offer combinations of merit and need-based aid
 - Often, financial aid packages will include loans – sometimes significant amounts
- Savings have minimal impact on need-based grant eligibility
 - If savings are held in the parent's name – counted as a parental asset - typically not assessed at a rate higher than 5-6% in the Federal Methodology formula (3% maximum in Institutional Methodology)

Those who have planned and saved have more options for their children

Better to save under parent's name

- Asset calculation:
 - Child assets are assessed at 20%
 - A portion of parent assets are assessed on a graduated system, with a top rate of 5.64%
- Asset protection allowances for parent assets
 - Qualified retirement plans (e.g., IRA, 401(k), 403(b))
 - Value of the family's primary residence
 - Value of small businesses owned and controlled by the family
- Financial resources owned by a child can be spent on whatever a child wants

COLLEGE SAVINGS OPTIONS

College Savings Options

Taxable investments

- UGMA/UTMA's
- Life insurance
- Mutual funds

Options with special provisions for paying for higher education

- Savings Bonds
- Retirement Accounts – IRA
- Some insurance policies

Options created for education

- Coverdell
- 529 Plans
 - Savings plans
 - Prepaid plans
 - Private College 529 Plan

Note: You may want to consult with a financial advisor to help you select a saving vehicle that best fits your individual circumstances

Benefits of 529 Plans



Advantages

Taxes:

- Earnings and distributions are federal and state tax free if used for education

Account Control:

- Account owner controls assets
- Beneficiary can be changed at will
- No income limits

Contributions:

- Most plans have low minimum monthly contributions
- Generous limits on amounts per beneficiary (over \$300,000)
- For Estate Planning - Contributions qualify as completed gifts; 5X the annual gift tax exclusion amount can be contributed in one year

Investment Accounts:

- “Savings” is a misnomer; these are investment plans and can lose principal
 - State prepaid plans are only guaranteed for in-network schools – there are out-of-network calculations that can be based on investment performance
 - Private College 529 plan guarantees tuition for in-network schools
- Investment options limited to those offered by the plan and can only be changed twice a year
- Fees can be high; depending on the plan



Disadvantages

SELECTING A 529 PLAN

Choosing a 529 Plan

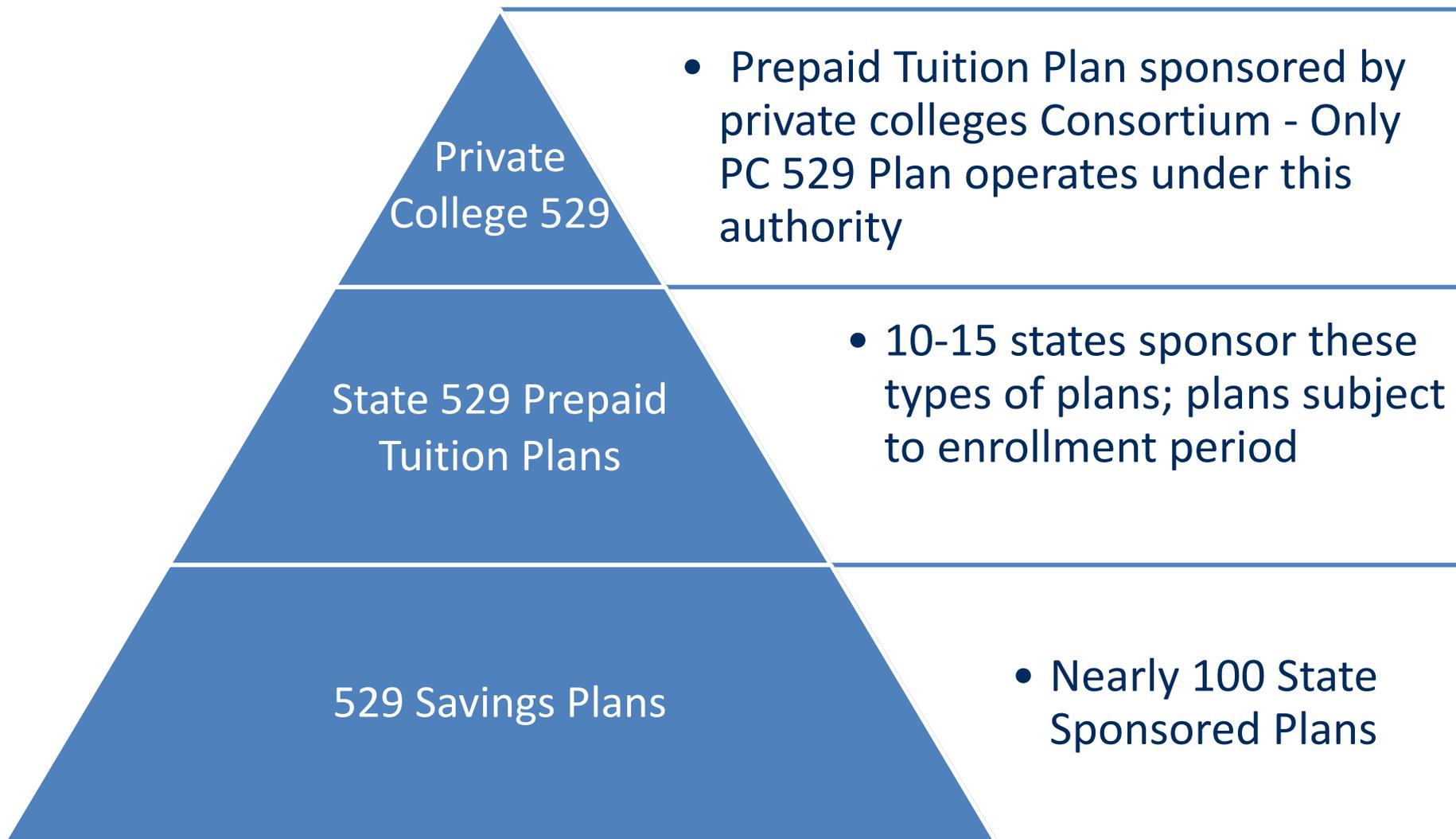
Determine what type of 529 Plan will meet your family's needs - Savings, Prepaid or combination

Look at home state's 529 plan(s) first

- Is there a state tax deduction or other favorable tax considerations?
- If yes, is it significant enough to offset any drawbacks?



Three Types of 529 Plans



Direct vs. Advisor Sold 529 Plans

	Direct - Sold	Advisor – Sold
Advantages 	<ul style="list-style-type: none">• Lower Fees• Special Incentives (vary by state): State income-tax deduction, matching contribution, scholarships, etc. may be offered only for residents purchasing direct-sold plan	<ul style="list-style-type: none">• Professional Advice: Match the right 529 plan to investment goals and risk preferences• Comprehensive Financial Portfolio: Coordinate college planning with other financial objectives• Mutual funds: Certain funds are only available through advisors
Disadvantages 	<ul style="list-style-type: none">• Time and effort to research investment options and tax rules	<ul style="list-style-type: none">• Higher annual costs : Commission-based or fee-for-service• Sales charges: 1-5.75% of your contributions may be required

Investment Options

Static Option:

Investment portfolio that is not programmed to change over time

- Individual fund portfolio
 - Invested in a single mutual fund
 - Mostly found in advisor-sold 529 investment options
- Multi-fund portfolio (target, asset-allocation, or blended-fund)
 - Invested in two or more mutual funds
 - Targets a specific stock/bond mix (e.g., 80% equity)
 - Some use mutual funds from the same mutual fund manager, while others use multiple managers
- Other Non-mutual fund portfolios such as stable-value options, guaranteed options, CD options, etc.

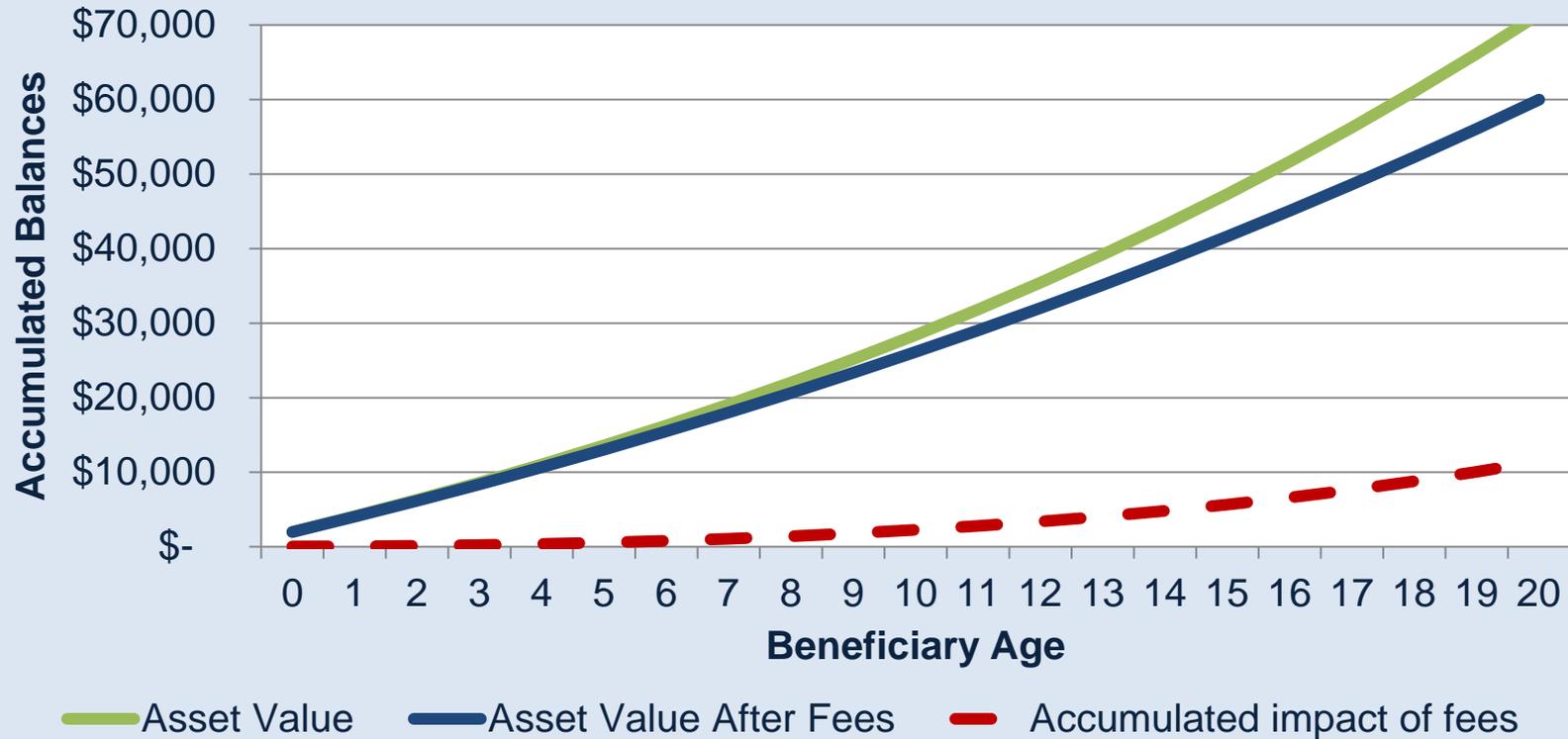
Age-Based Option (Enrollment-Based):

Asset allocation of portfolio is programmed to change over time

- Asset Allocation depends upon the beneficiary's age – as the beneficiary ages, the underlying allocation becomes more conservative. Asset allocation change may occur through:
 - Automatic transfers from one static portfolio to another when a beneficiary reaches specific age
 - Lifecycle funds (or lifecycle-type tactics) within the portfolio containing your investment

Example of the Impact of Fees

- Assumes \$2,000 annual contribution with 5% annual asset growth.
- Blue line “Asset Value After Fees” assumes 1.5% Advisory Fee.



INDIANA 529 PLANS

Indiana 529 Savings Plans

1. College Choice 529 (Direct sold)
2. College Choice (Advisor sold)
3. College Choice CD

Benefits of the Indiana 529 Direct-Sold Plan

- **Tax Benefits:** Indiana taxpayers are eligible for a state income tax credit of 20% of contributions to their CollegeChoice 529 account, up to \$1,000 credit/year
- **Low minimums:** Open an account for as little as \$10 and make additional contributions of \$10
- **High maximums:** Contribute up to a total of \$298,770 per beneficiary for accounts in all 529 plans sponsored by the State of Indiana
- **No annual account maintenance fee for Indiana residents:** If you or your beneficiary is an Indiana resident, there is no annual account maintenance fee (A \$20 annual account fee is charged to non-residents)

What are the tax benefits?

- Tax-deferred growth
 - Earnings grow tax deferred until withdrawn
- Tax-free qualified withdrawals for higher education expenses*
 - Use the money for tuition, fees, certain room and board costs, books, and required supplies
 - Any qualifying post-secondary institution in the U.S., including 2- and 4-year colleges, vocational/technical schools, and graduate schools
- Special tax credit for Indiana taxpayers
 - Contributions to a CollegeChoice 529 account are eligible for a state income tax credit of 20%, up to \$1,000 credit per year**

* Earnings on non-qualified withdrawals are subject to federal income tax and may be subject to a 10% federal penalty tax. Non-qualified withdrawals may also be subject to state and local income tax. The availability of tax or other benefits may be contingent on meeting other requirements.

** This credit may be subject to recapture from the account owner (not the contributor) in certain circumstances, such as a rollover to another state's 529 plan or a non-qualified withdrawal.

What are the investment options?

- Age-based option - professionally managed by Vanguard

- One of the world's largest investment firms
- Over \$1 trillion in assets under management
- Commitment to high-value, low-cost investing



- Individual portfolios

- Wide range of investments from respected firms



What are the CD options?

Product Feature	CollegeSure CD®	InvestorSure CD®	Fixed Rate CD	Honors Savings Account
Good When:	The investor wants returns tied to the rate of college inflation.	The investor wants returns indexed to the performance of the S&P 500 without risking their principal.	The investor wants a fixed rate return.	The investor wants their assets to remain liquid for use in less than a year and returns are offered at a competitive variable rate.
Term:	1 through 22 Year(s)	5-Years (only)	1- and 3-Year	None
Benefits:	Earnings tied to the rate of college inflation; and entitled to federal, estate, gifting and/or state tax benefits.	Earnings tied to the S&P 500; and entitled to federal, estate, gifting and/or state tax benefits.	Predictable rate of return; and entitled to federal, estate, gifting and/or state tax benefits.	Assets remain liquid; and entitled to federal, estate, gifting and/or state tax benefits.

Products in the College Choice CD program are FDIC insured

If the beneficiary doesn't go to college

- Leave the money in the account until a later date
- Change the beneficiary to a “member of the family”
- Make a non-qualified withdrawal, subject to federal and state income tax on earnings, plus a 10% federal penalty tax on earnings
 - Several categories of withdrawals are not subject to the 10% penalty tax, namely a beneficiary's:
 - Receipt of a scholarship
 - Attendance at a military academy
 - Disability
 - Death

PRIVATE COLLEGE 529 PLAN

College Savings Options

	Public Colleges	Private Colleges
Savings Accounts	State 529 Savings Plans Custodial (UGMA / UTMA) Coverdell, Savings Bonds	State 529 Savings Plans Custodial (UGMA / UTMA) Coverdell, Savings Bonds
Prepaid Accounts	State 529 Prepaid Plans	Private College 529 Plan

***The University of Notre Dame &
Saint Mary's College
are proud participants of the
Private College 529 Plan.***

About Private College 529 Plan



Private College 529 Plan offers something that no other 529 Plan can...

A way to lock in today's tuition rates at a diverse group of more than 270 private colleges across the country –

GUARANTEED.

PC529: How it Works for Families

- ✓ Structured as a pre-purchase of tuition, not an investment
- ✓ Plan allows members to lock in today's prices that can be used at any of the Plan's participating schools (Amount purchased based on tuition at each school at the time of purchase)
- ✓ Beneficiary does not select a college or university until time of enrollment
- ✓ **Participating Universities & Colleges take the risk:** the percentage of tuition purchased is guaranteed, no matter how much tuition rises or what happens in the investment markets

* Participation in Private College 529 Plan does not influence or guarantee admission to any college or university.

Private College 529 Plan Savings Illustration



Today

- College A's current tuition and fees = \$35,000
- Beneficiary Ben is 8 yrs old when his parents prepay the amount of one year of tuition at College A

Tomorrow

- College A tuition increases 5% per year
- Tomorrow (10 years later when Ben is 18 years old):
 - Ben enrolls at College A

Today's Tuition at College A	\$35,000
Cost of tuition at College A 10 yrs later	<u>57,011</u>
Tax-free increase in value (savings)	\$22,011

Tomorrow's Tuition at Today's Prices - Guaranteed

If the beneficiary doesn't go to a member school

- **Change the beneficiary**—You can change your beneficiary (child) at any time. You can select a qualified family member or even choose yourself
- **Roll the account** into a state-sponsored 529 plan
- **Obtain a refund** – You will retain all the tax benefits for the withdrawal portion if used for qualified higher education expenses
 - The refund will be adjusted based on the net performance of the Program Trust, subject to a maximum increase of 2% per year, or a maximum loss of 2% per year
 - The refund is subject to federal income taxes, any state income tax and may be subject to an additional 10% federal tax penalty

NEXT STEPS

How much should you save/prepay?

Estimate 4-year cost

- Use online calculators
- Net price calculators
- White House Scorecard

Understand Financial Aid

- Financial aid includes grants & scholarships; may include loans and work

Determine Savings Goal

- Most families can't save 100%; save as much as you can

Select Savings Vehicle

Determine Savings Goal



Expected Family Contribution Calculator

- School Net Price Calculators
- College Board

Employer Tuition Benefits



Other Resources (e.g., family members)

Opening Your Account - Direct Sold Plans

Most applications available online
15 - 20 minutes to complete

1. Name the account owner

- U.S. citizen with valid address
- Provide social security or tax id number
- Provide successor owner

2. Name the beneficiary

- Provide social security number
- Can also be Account owner

3. Choose investment

option (only for 529 savings accounts)

- Most use age-based

4. Contribute: cash or rollover (529, UGMA)

- Amount required varies by plan; many allow accounts to be opened with \$25

Funding Your Account

Create a Savings Budget

- Small, Regular Payments: \$50/month increased by 3% inflation, 5% interest for 15 years = \$16,200 (\$11.2 deposits + \$5 earnings)
- Use online calculators to determine payments needed to reach goal
- Evaluate priorities: may need to alter lifestyle to meet savings goal

Contribute Extra Income

- Income tax refunds
- Holiday/birthday gifts
- Salary increase/bonuses
- Second income/part-time job

Additional Opportunities

- When one monthly expense ends, make an equal monthly contribution to college savings/prepayment such as a car payment, cost of day care, student loans

ADDITIONAL RESOURCES

Multi-media site explaining college savings vehicles

Site Contents:

- College Savings Planning
 - College Savings Options
 - Selecting a 529 Plan
 - Opening & Funding a 529 Plan
 - Example Scenarios
 - Financial Aid
 - College Savings
- Private College 529 Plan
- Additional Resources
- Educator Resources
- Contact us at:
sav4coll@nd.edu



Websites to Help You Research Options

- General College Saving/Financial Aid Information:
 - collegesavings.org
 - Bigfuture.collegeboard.org
 - finaid.com
- Indiana 529 Resources:
 - CollegeChoice direct-sold 529 Plan: collegechoicedirect.com
 - CollegeChoice advisor-sold 529 Plan: collegechoiceadvisor529.com
 - CollegeChoice CD Plan: collegechoicecd.com
- Private College 529 Resources:
 - TomorrowsTuitionToday.org
 - Learn more about Private College 529 Plan, read about member schools and testimonials from account owners and link to other college savings resources and member college web sites
 - PrivateCollege529.com
 - Learn about how the plan works and to open an account
 - Private College 529 Plan Call Center: 888-718-7878

Ad in Football Program



TOMORROW'S TUITION AT TODAY'S PRICES
YOUR CHILD OR GRANDCHILD MAY JUST BE LEARNING TO READ,
BUT IT'S NOT TOO EARLY TO PLAN FOR THE COST OF COLLEGE.

The Private College 529 Plan is the only guaranteed way to lock in current tuition rates at any of the participating private colleges (270+) across the country, including the University of Notre Dame. By purchasing tuition certificates at today's prices, you could ultimately save thousands on the cost. If your student opts for a public college or chooses to attend a non-member private college, or decides not to attend college, you can change the beneficiary, roll the account into another 529 plan, or request a refund. To find out more, visit TomorrowsTuitionToday.org/Prepay-NotreDame and enroll today.



Private College 529 PlanSM
Tomorrow's Tuition at Today's Prices—GUARANTEED



UNIVERSITY OF
NOTRE DAME

- **Account Owner** – Individual who opens and controls the account
- **Beneficiary** – individual designated as the recipient of funds invested in the 529 plan
- **Qualified Higher Education Expense (QHEE)** – tuition, fees, books, supplies, room and board (if at least half-time student)
- **Eligible Educational Institution** –
 - Institution described in the Higher Education Act; that is eligible to participate in programs under title IV

Important legal information - PC 529



Private College 529 Plan Disclosure:

Private College 529 Plan is established and maintained by Tuition Plan Consortium, LLC. OFI Private Investments Inc., a subsidiary of Oppenheimer Funds, Inc., is the program manager. Participation in the Plan does not guarantee admission to any college or university, nor does it affect the admissions process. Tuition certificates are not insured or guaranteed by the FDIC, TPC, any governmental agency or OFI Private Investments Inc. or its affiliates. Purchasers should carefully consider the risks associated with purchases and refunds of tuition certificates. The Disclosure Statement, including the Enrollment Agreement, contains this and other information about the Plan, and may be obtained by visiting privatecollege529.com or calling 1-888-718-7878. Purchasers should read these documents carefully before purchasing a tuition certificate.