EDUCATION PLANNING

How to confidently fund your child's future education, without sacrificing your own goals.

WHY EDUCATION PLANNING MATTERS

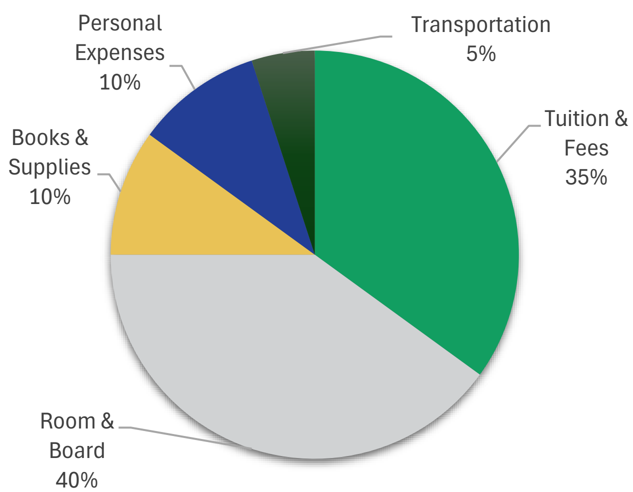
• College costs are rising, average in-state tuition for public four-year institutions in the US is roughly $9,750 for the 2024-2025 academic year, according to Education Data Initiative (excludes other expenses like room and board). Private nonprofit four-year institutions have a significantly higher average tuition, around $38,421

• Starting early allows more time for your savings to grow with compounding interest

• Planning ahead reduces future debt burden for both you and your child

BREAKDOWN OF TYPICAL COLLEGE EXPENSES

In-state tuition at public 4-year institutions

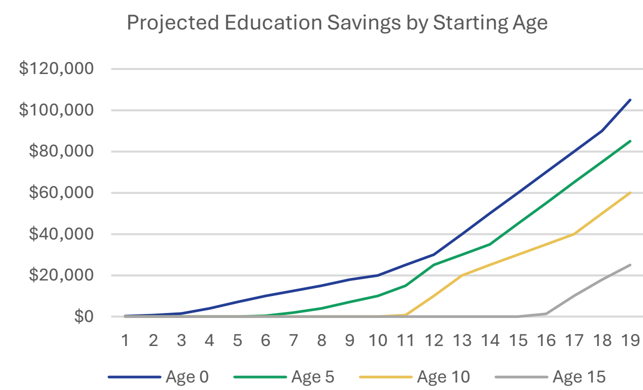


Source: Education Data Initiative

WHAT IS A 529?

• A tax-advantaged savings account for education expenses
• Earnings grow tax-free; withdrawals for qualified education expenses are not taxed
• You stay in control of the funds and can change the beneficiary if needed
• Flexible usage, including K-12 tuition, higher ed, and even student loan repayment in some cases
• State tax benefits on contributions (only on certain states)

HOW MUCH SHOULD YOU SAVE?



Start Age	Monthly Contribution	Total Saved by 18*
Age 0	$250	~$105,000
Age 5	$400	~$85,000
Age 10	$700	~$60,000
Age 15	$1,300	~$25,000

*Assumptions: 4-year in-state public college ~$110,000, annual return on 529 savings 6%, education inflation 5%

Sallie Mae's How America Pays for College study for the 2023-24 school year found that 27% of college cost was paid for with scholarships and grants. For the remaining costs, most parents use a combination of funding sources with 37% of funds coming from parent savings and income, 23% from loans, 11% from student income and savings, and 2% from relatives.

ACTION ITEMS – NOW

→ Open 529 for your child (or each of your children) and set up monthly contributions
→ Send the Ugift code to your family members (you never know who will contribute some extra money)
→ Consult a financial advisor for comprehensive financial planning (investments, education, cash flow, debt management)

COMMON QUESTIONS

Q: What if my child gets a scholarship?
A: Withdraw up to the amount needed without penalty, or transfer to another child, or convert to Roth IRA for child.

Q: Can family members contribute?
A: Yes! There is a Ugift code which can be sent directly to them

Q. What happens if the money isn't used for education?

A. If withdrawn for non-qualified expenses, you'll pay: Ordinary income tax on the earnings and a 10% federal penalty tax on the earnings (you won't pay penalties on contributions).

Q. What if I move to a different state?
A. You can keep your current 529 plan or roll it over to another state's plan. Be sure to compare fees and investment options before switching.

Q: Are there other savings options?
A: Yes, while 529 plans are the go-to vehicle for education savings, there are several other account types that can also be used to fund education:

UTMA/UGMA Accounts (Custodial Accounts)
Best for: General-purpose gifting to a minor, not just for education
Pros: No usage restrictions, can be used for any benefit of the child
Cons: No tax advantages for education, becomes child's asset at age of majority (18 or 21 depending on state), may impact financial aid more heavily

Roth IRAs
Best for: Parents who want flexibility for retirement and potential education funding
Pros: Contributions can always be withdrawn tax-free, earnings can be used for qualified education expenses without 10% early withdrawal penalty (though still taxed)
Cons: Limited annual contribution, reduces retirement savings potential if used for college

Coverdell Education Savings Account (ESA)
Best for: Families who want more investment flexibility and to fund K–12 as well as college
Pros: Tax-free growth and withdrawals for qualified expenses (K–12 and college)
Cons: Annual contribution limit of $2,000 per beneficiary, income limits apply for contributors, must be used by age 30

Series I Bonds (U.S. Savings Bonds)
Best for: Conservative savers seeking inflation protection
Pros: Tax-free interest if used for qualified higher education, backed by the U.S. government
Cons: Must be owned by parent (not child) to get education tax exclusion, income phaseouts apply, cannot be used for K–12

CONTACT

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Data
https://www.scholarshare529.com/learn/how-much-does-college-cost/
https://studentaid.gov/resources/prepare-for-college/students/choosing-schools/consider-costs
https://educationdata.org/average-cost-of-college