Saving for College

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- College can help a child or grandchild have a brighter future
- Reduces reliance on student loans
- Uses time and the power of compounding to your advantage
- Keeps your options open by planning ahead

Why Save for College?

Average Published Charges for Full-Time Undergraduates by Sector, 2014-15

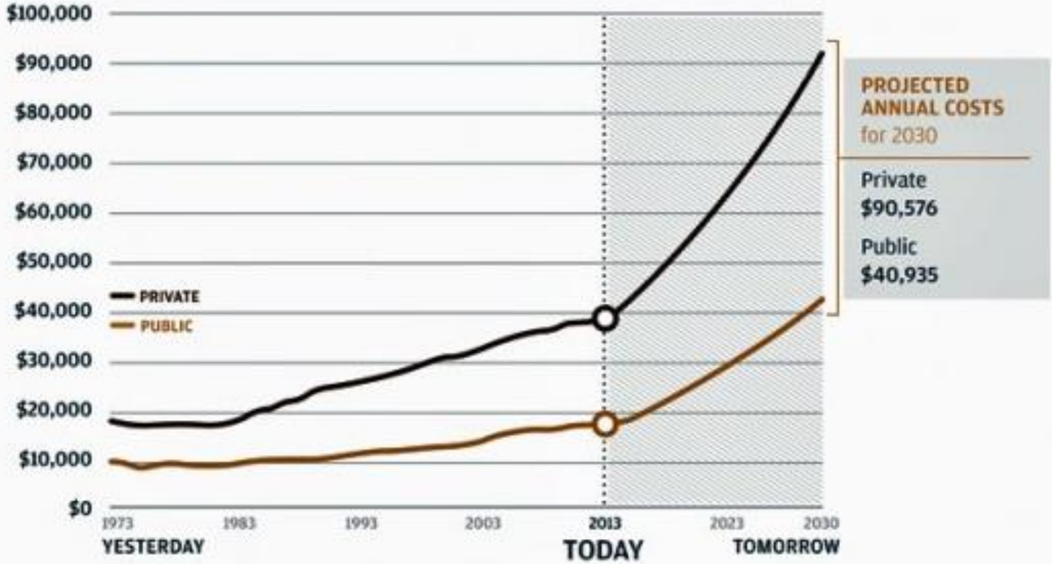
	Public Two-Year In-District	Public Four-Year In-State	Public Four-Year Out-of-State	Private Nonprofit Four-Year	For-Profit
Tuition and Fees					
2014-15	$3,347	$9,139	$22,958	$31,231	$15,230
2013-14	$3,241	$8,885	$22,223	$30,131	$15,040
$ Change	$106	$254	$735	$1,100	$190
% Change	3.3%	2.9%	3.3%	3.7%	1.3%
Room and Board					
2014-15	$7,705	$9,804	$9,804	$11,188	—
2013-14	$7,540	$9,498	$9,498	$10,824	—
$ Change	$165	$306	$306	$364	—
% Change	2.2%	3.2%	3.2%	3.4%	—
Tuition and Fees and Room and Board					
2014-15	$11,052	$18,943	$32,762	$42,419	—
2013-14	$10,781	$18,383	$31,721	$40,955	—
$ Change	$271	$560	$1,041	$1,464	—
% Change	2.5%	3.0%	3.3%	3.6%	—

- SOURCE: The College Board, *Trends in College Pricing 2014*, Table 1A

The Rising Cost of College

College savings need to grow at a healthy rate to match or exceed rapidly rising costs.

Tuition, fees, room and board in 2012 dollars[2]



KEEPING PACE

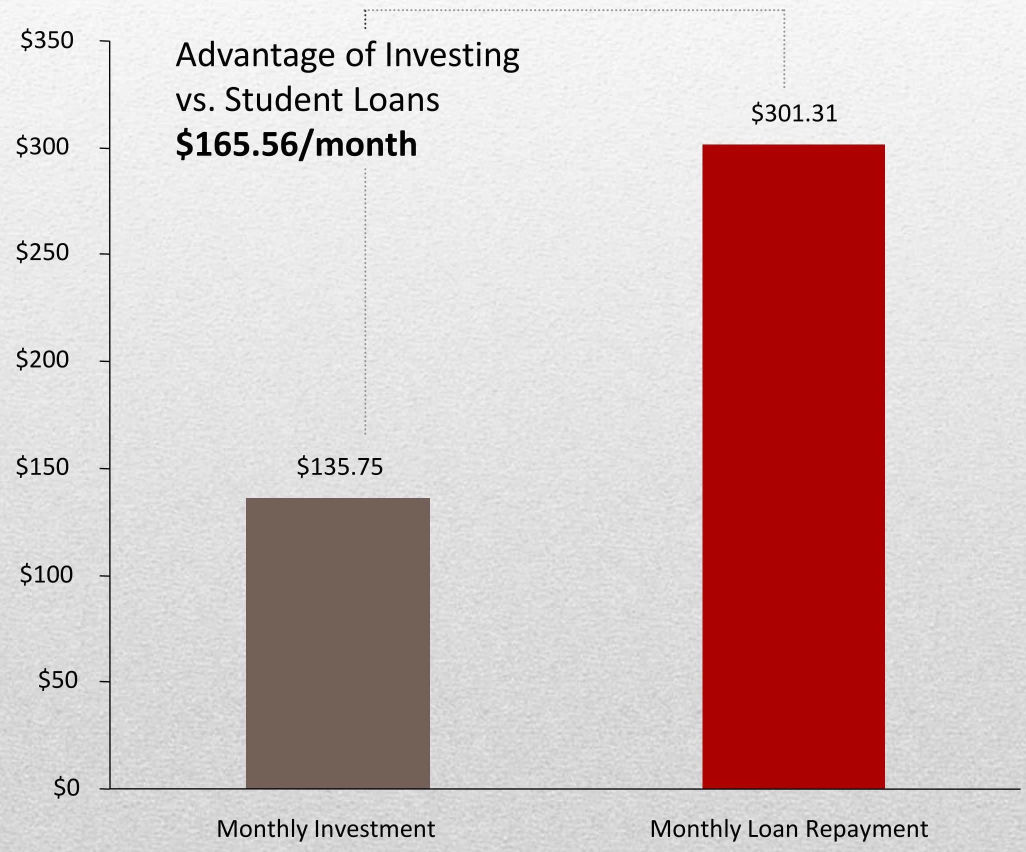
- If prices increase 5% each year, the **cost of college will more than double** by 2030.[1]

1. Source: J.P. Morgan Asset Management using The College Board, "2012 Trends in College Pricing." Future college costs estimated to inflate 5% per year.
2. Source: Average Enrollment-Weighted Tuition, Fees, Room and Board in 2012 Dollars from 1971-72 to 2012-13 (The College Board, "2012 Trends in College Pricing"). Future college costs estimated to inflate 5% per year (J.P. Morgan Asset Management). Note: Average tuition and fees for the public sector reflects four-year, in-state charges.

J.P.Morgan Asset Management

The Power of Planning Ahead

Invest now or borrow later:
To cover $25,000 in college expenses, investing for 10 years before college is a lot cheaper than paying back loans for 10 years after college.*

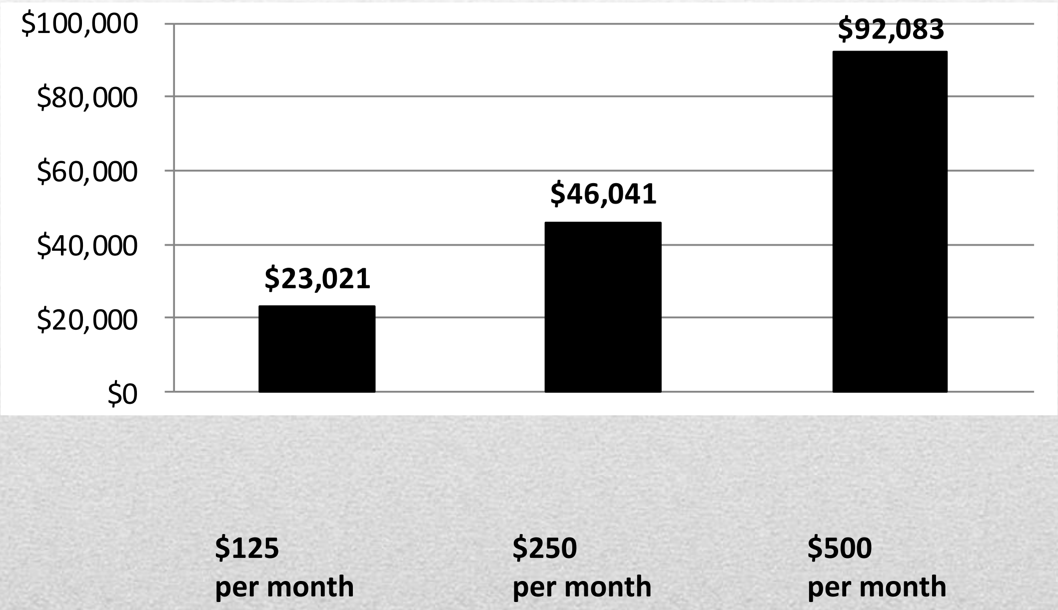


*Assumptions: Total cost of college $25,000; 8% annual return on investment and 8% loan interest rate, compounded monthly; 10-year investing period and 10-year loan payback period. Annual return does not represent the performance of any specific investment.

Putting time on your side

Regular contributions of any amount can really add up over time.

This chart shows an account with monthly contributions over a 10-year period.



A program of regular investment cannot assure a profit or protect against a loss in a declining market.
This hypothetical illustration assumes an average annual return of 8%. Annual return does not represent the performance of any specific investment.

- Qualified Tuition Programs (also called 529 plans)
- Roth and Traditional IRA
- Coverdell Education Savings Account
- Savings Bonds
- American Opportunity
- Life Time Learning

Tools and Resources to Promote Financial Planning

Qualified Tuition Program or a 529 plan

What is a 529 plan?	A tax-advantaged savings plan designed to encourage saving for future college costs. There are two types of plans: **pre-paid tuition plans** and **college savings plans**
Where can it be established?	529s can be established and maintained by states (or agencies or instrumentalities of a state) and eligible educational institutions.
Who can have 529 plan?	The designated beneficiary is generally a student for whom the 529 plan is intended to provide benefits. The designated beneficiary can be changed.
How much can you contribute?	Contributions to a 529 on behalf of any beneficiary cannot be more than the amount necessary for the qualified education expenses of the beneficiary.
Are distributions tax free?	Yes, if the total distribution is less than or equal to adjusted qualified educational expenses.
What is the tax benefits of a 529 plan?	No tax is due on a distribution from a 529 unless the amount distributed is greater than the beneficiary's adjusted qualified education expenses.

Differences between Prepaid Tuition Plan and College Savings Plan

Prepaid Tuition Plan	College Savings Plan
Locks in tuition prices at eligible public and private colleges and universities.	No lock on college costs.
All plans cover tuition and mandatory fees only. Some plans allow you to purchase a room & board option or use excess tuition credits for other qualified expenses.	Covers all "qualified higher education expenses," including: Tuition , Room & Board, Mandatory Fees, Books, Computers (if required)
Most plans set lump sum and installment payments prior to purchase based on age of beneficiary and number of years of college tuition purchased.	Many plans have contribution limits in excess of $200,000.

Differences between Prepaid Tuition Plan and College Savings Plan

Prepaid Tuition Plan	College Savings Plan
Many state plans guaranteed or backed by state.	No state guarantee. Most investment options are subject to market risk. Your investment may make no profit or even decline in value.
Most plans have age/grade limit for beneficiary.	No age limits. Open to adults and children.
Most state plans require either owner or beneficiary of plan to be a state resident.	No residency requirement. However, nonresidents may only be able to purchase some plans through financial advisers or brokers.
Most plans have limited enrollment period.	Enrollment open all year.

Roth or Tradional IRA

How does it work ?	You can take a distribution from your IRA before you reach 59 ½ and not have to pay the 10% additional tax if, you pay qualified educational expenses for yourself, your spouse or your child, or spouses child, foster child or adopted child.
How much can you contribute?	For 2014 and 2015, your total contributions to all of your traditional and Roth IRAs cannot be more than: **$5,500** (**$6,500** if you're age 50 or older), or. your taxable compensation for the year, if your compensation was less than this dollar limit
Are distributions tax free?	Generally, if the taxable part of the distribution is less than or equal to the adjusted qualified education expenses (AQEE), none of the distribution is subject to the additional tax. If the taxable part of the distribution is more than the AQEE, only the excess is subject to the additional tax.
What is the advantages of using an IRA as a tool for college savings?	• Funds in a traditional IRA are sheltered from the financial aid need analysis and have no impact on financial aid eligibility. • Allows for more flexibility in investment options • Remainder in fund can be used for retirement

Coverdell Education Savings Account

What is a Coverdell ESA?	**A savings account that is set up to pay the qualified education expenses of a designated beneficiary.**
Where can it be established?	It can be opened in the United States at any bank or other IRS-approved entity that offers Coverdell ESAs.
Who can have a Coverdell ESA ?	Any beneficiary who is under age 18 or is a special needs beneficiary.
Who can contribute?	Generally, any individual (including the beneficiary) whose modified adjusted gross income for the year is less than $110,000 ($220,000 in the case of a joint return).
Are distributions tax free?	Yes, if the distributions are not more than the beneficiary's adjusted qualified education expenses for the year.
What is the tax benefit of the Coverdell ESA?	Contributions are not deductible, but amounts deposited in the account grow tax free until distributed.

Savings Bonds

How does it work?	When savings bonds are cashed and used for qualified educational expenses you can be able to exclude the interest from income.
Which bonds can be used?	Series EE and Series I
If you want to purchase bonds how should they be registered?	In the taxpayer’s name as primary owner with the taxpayer’s spouse as secondary owner or in the taxpayer’s name as primary owner with the child as beneficiary.

What is your tax benefit?	Credits can reduce the amount of tax you have to pay. 40% of the credit may be refundable
What is the annual limit?	$2,500 credit per student
What expenses qualify besides tuition and fees?	Course-related books, supplies and equipment
Number of tax years credit available	Available ONLY for 4 tax years per eligible student (including any year(s) Hope scholarship credit was claimed)
What income range do benefits phase out?	80,000-90,000 single, head of household 160,000-180,000 married filing jointly

American Opportunity Credit

What is your benefit?	Credits can reduce amount of tax paid
What is the annual amount?	$2,000 credit per tax return No limit on the number of years that lifetime learning credit can be claimed for each student.
What education qualifies?	Undergraduate and graduate Courses to acquire or improve job skills
In what income range do benefits phase out?	$54,000-64,000 $108,000-128,000

Lifetime Learning Credit

- www.collegesavings.org
- Provides information about saving for college and 529 plans, including:
  - Why saving for college is important
  - What is a 529 plan
  - A college cost calculator
  - Links to state 529 plans
  - A 529 plan comparison tool
  - Common questions

College Savings Plan Network

- Texas Tuition Promise Fund – Prepaid Plan
- Texas College Savings Plan
- LoneStar 529 Plan – Advisor sold
- Texas Guaranteed Tuition Plan – Prepaid Plan

    -Closed to new enrollment

Texas 529's

Texas Tuition Promise Fund

What is the Texas Tuition Promise Fund?	Designed to help families prepay for future tuition and required fees at any two- or four-year Texas public college or university. Account holders purchase Tuition units, which represent a fixed amount of undergraduate resident tuition and required fees charged by Texas public colleges and universities.
Who can open an account?	Any U.S. citizen or legal resident 18 years and older can open an account, as long as the Beneficiary is a Texas resident.
Where can I use the units?	Any two- or four-year Texas public college or university. Private or out-of-state college or career school tuition and fees are not locked in.
When can I enroll?	any time between September. 1 and February. 28 (February. 29 in leap years).

- The Plan does not pay for graduate school, room and board, transportation, books, or laboratory fees, fees that are not school-wide required fees, or fees required for a specific course.

Texas College Saving Plan

What is the Texas Tuition Promise Fund?	A 529 savings plan sponsored by the State of Texas. Includes age-based and Static Portfolios
Who can open an account?	Any U.S. citizen. There are no income or state residency restrictions. Corporations, partnerships, trusts and charitable organizations can also establish and own accounts.
What is the minimum initial investment?	You can open a Texas College Savings Plan 529 account with as little as $25, and subsequent contributions can be as small as $15.
When can I enroll?	Any time

- Can be used to pay for qualified higher education costs at most accredited institutions in the U.S. including vocational schools, two- and four-year colleges and graduate schools.

LoneStar 529

What is the Texas Tuition Promise Fund?	529 Savings Plan
Who can open an account?	all U.S. citizens—18 or older—regardless of income or state of residence.
What is the minimum initial investment?	You can open a LoneStar 529 Plan account with as little as $25, and subsequent contributions can be as small as $15. The maximum account balance is $370,000
When can I enroll?	Anytime
The money can be used at any accredited public or private post-secondary institution in the United States and abroad. This includes most two-year and four-year colleges and universities, vocational and technical schools, graduate schools, professional, medical and law schools.	

It is never too early to start saving