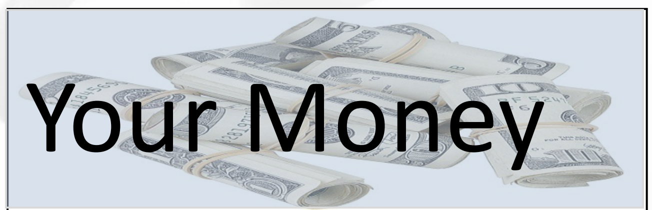
College Planning

Saving for a College Education

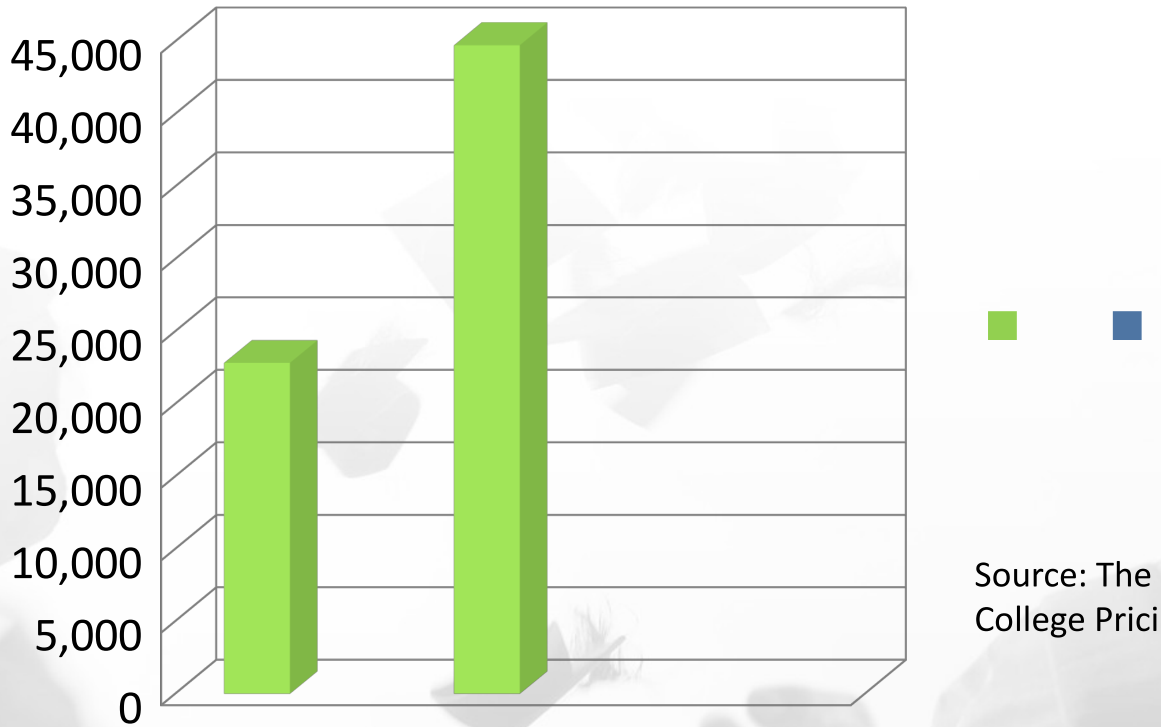
Saving for College

Fitting College Savings into Your Budget



Saving for College

The Cost of College Now

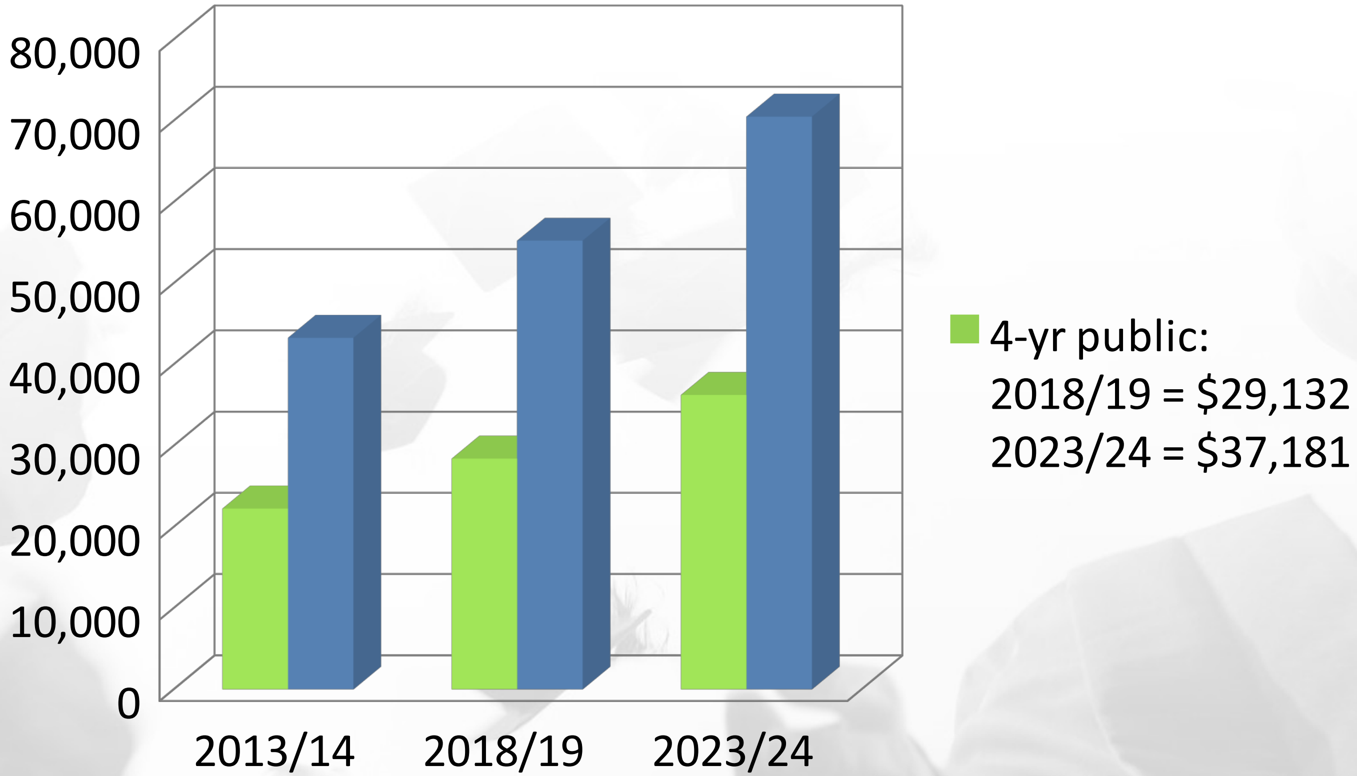


Source: The College Board, Trends in College Pricing 2013

Cost figures include tuition, fees, room and board, books, transportation, and personal expenses.

Saving for College

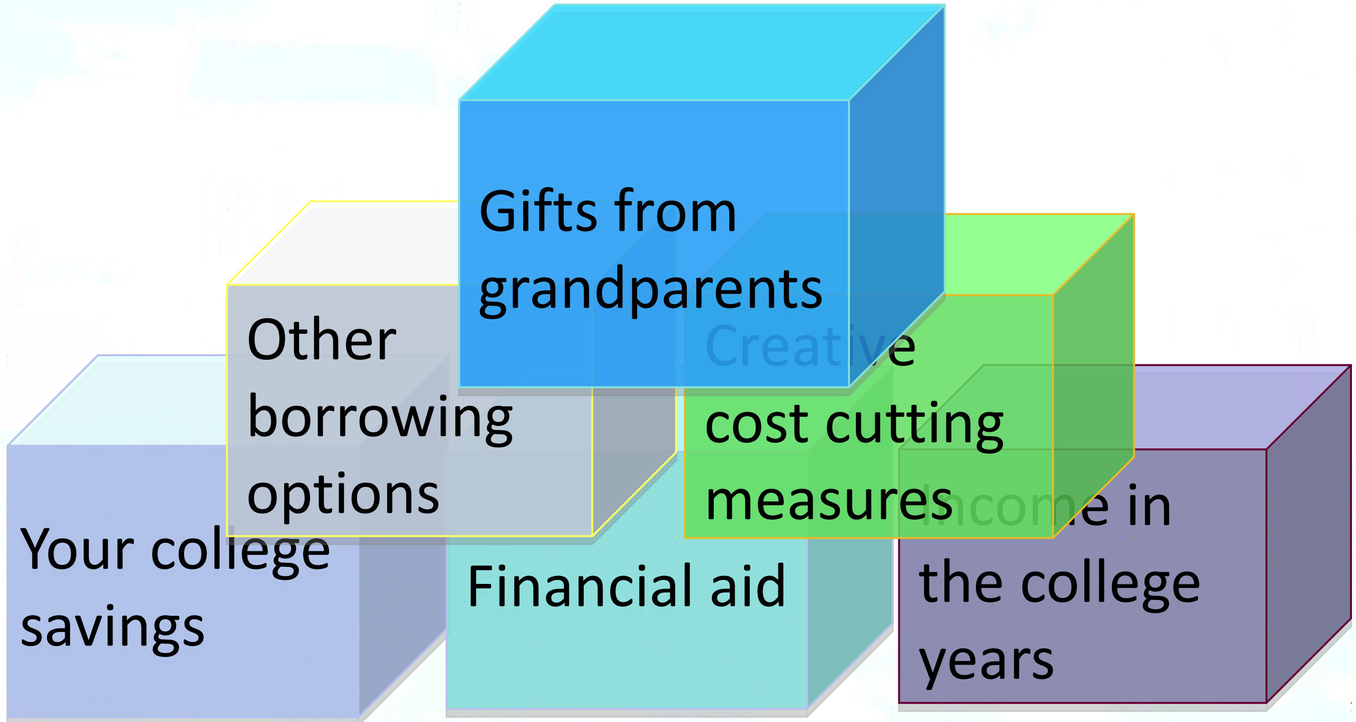
The Future Cost of College



Projected cost of college in future is based on annual 5% college inflation rate.

Saving for College

How Are You Going to Pay?



Financial Aid

How Is Need Determined?

Forms of financial aid:

- Loan
- Grant
- Scholarship
- Work-study job

Income, assets, family information

↓

Federal or institutional methodology

↓

Expected family contribution (EFC)

↓

Cost of college less EFC equals financial need

Financial Aid

Parent vs. Child Assets

Parent

5.6% of assets

$10,000 in savings account = $560 expected contribution

Child

20% of assets

$10,000 in savings account = $2,000 expected contribution

Financial Aid

How Much Should You Rely on Aid?

- Don't rely too heavily on financial aid
- Student loans make up the largest percentage of the typical aid package
- Loans--up to 50%
  Grants/scholarships--up to 15%
  Work-study jobs--varies

Setting a Savings Goal

Monthly Investment	5 Years	10 Years	15 Years	20 Years
$100	$6,977	$16,388	$29,082	$46,204
$300	$20,931	$49,164	$87,246	$138,612
$500	$34,885	$81,940	$145,409	$231,020

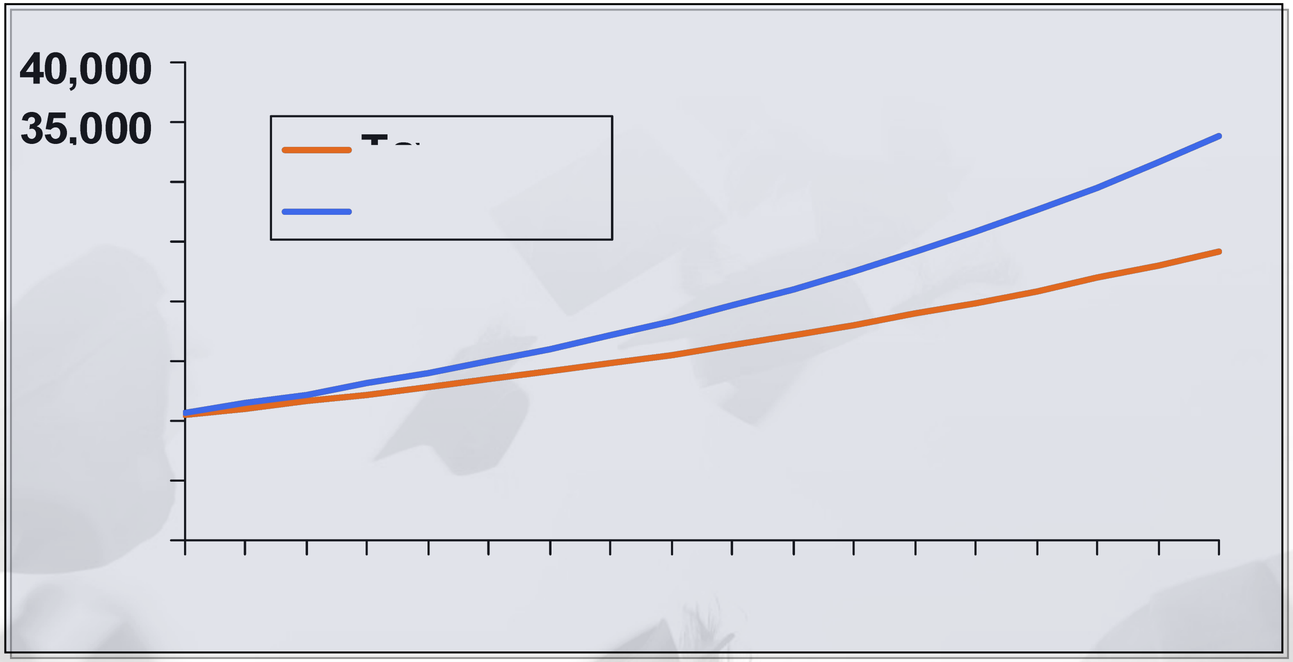
Figures are based on an average after-tax return of 6%. This illustration assumes a fixed annual rate of return; the rate of return on your actual investment portfolio will be different and will vary over time, according to actual market performance. This is particularly true for long-term investments. It is important to note that investments offering the potential for higher rates of return also involve a higher degree of risk to principal.

College Savings Options

- 529 plans
- Coverdell education savings accounts
- U.S. savings bonds
- UGMA/UTMA custodial accounts
- Mutual funds, stocks

College Savings Options

Taxable vs. Tax-Exempt Investments



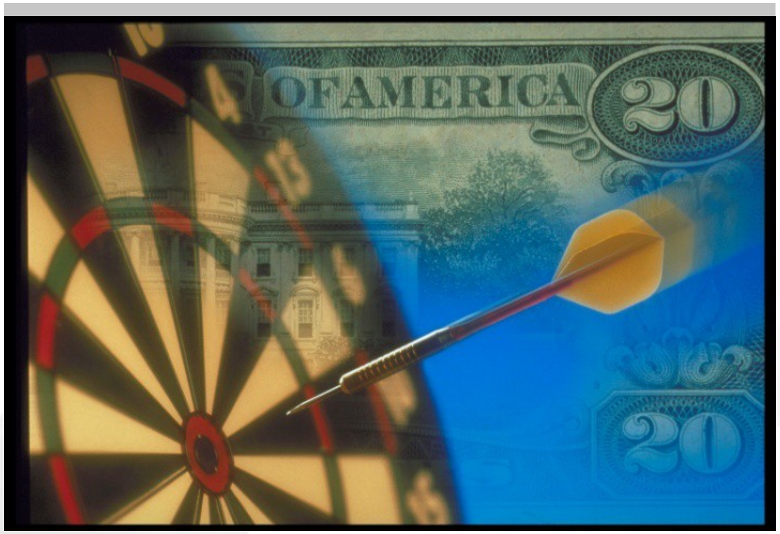
Tax exempt $33,799

Taxable $24,232

Difference $9,567

This chart shows the impact of federal income tax on your investments, based on a $10,000 initial investment, 7% annual return, and 28% tax bracket. This is a hypothetical example and is not intended to reflect the actual performance of any specific investment, nor is it an estimate or guarantee of future value. The lower maximum tax rates on capital gains and qualified dividends would make the taxable investment more favorable than is shown in this chart. Investors should consider their personal investment horizons and income tax brackets, both current and anticipated, as these may further impact the result of this comparison.

College Savings Options - *529 Plans*



Q. What is a 529 plan?

A. A 529 plan is a tax-advantaged college savings vehicle.

529 plans are sponsored by states, and less commonly colleges, but they must adhere to federal law.

Investors should consider the investment objectives, risks, charges, and expenses associated with 529 plans before investing. More information about 529 plans is available in each issuer's official statement, which should be read carefully before investing. Also, before investing, consider whether your state offers a 529 plan that provides residents with favorable state tax benefits.

College Savings Options - *529 Plans*

College Savings Plan	Prepaid Tuition Plan
Offered by states	Offered by states and private colleges
You can join any plan	You're generally limited to your state's plan
Contributions go into your individual account and are invested in the plan investment portfolios you select	Contributions are pooled with the contributions of others and invested by the plan
Returns are not guaranteed	Generally, a certain rate of return is guaranteed

College Savings Options - *529 Plans*

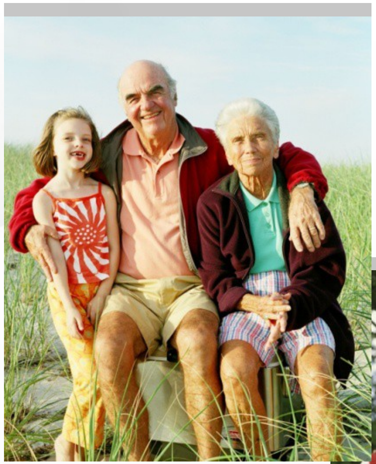
Advantages

- Anyone can open an account
- High maximum contribution limits
- You control the account assets
- Professional money management
- Federal tax-free earnings

College Savings Options - *529 Plans*

Estate planning advantage--accelerated gifting

- $70,000 (individual) or $140,000 (couple) lump-sum gift
- No gift tax owed
- Gift must be treated as series of five equal gifts
- You can't make any other gifts to that beneficiary in the five-year period
- You retain control of the account assets



College Savings Options - *529 Plans*

Disadvantages

College savings plans

- Returns may not keep pace with college inflation
- Must choose from plan portfolios
- Varying flexibility on changing investment choices

Prepaid tuition plans

- Limited college choices
- Possible difficulty providing guaranteed returns

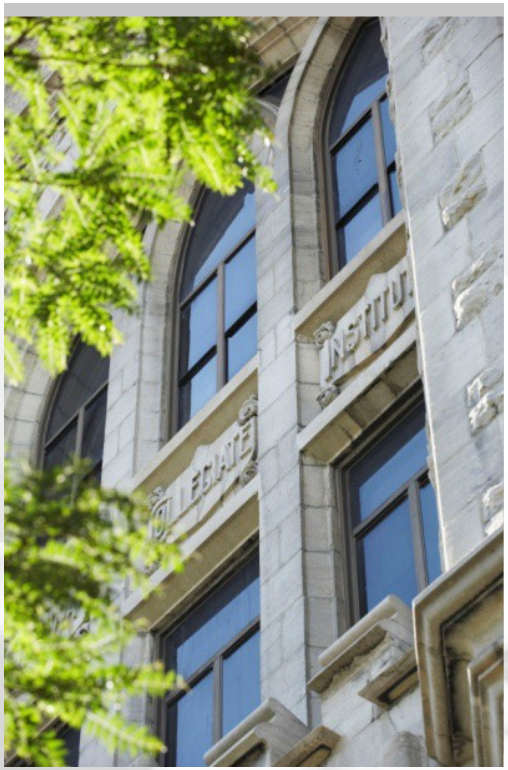
Both

- Withdrawals not used for college subject to income tax and penalty
- Fees and expenses with each type of plan

College Savings Options
Coverdell ESAs

- Tax-advantaged savings vehicle with maximum contribution of $2,000 per year
- For elementary, secondary, and college expenses
- Complete investment control
- Federal tax-free earnings
- Available only to people below certain income levels
- Withdrawals used for non-educational purposes subject to income tax and penalty

College Savings Options
Coverdell ESAs



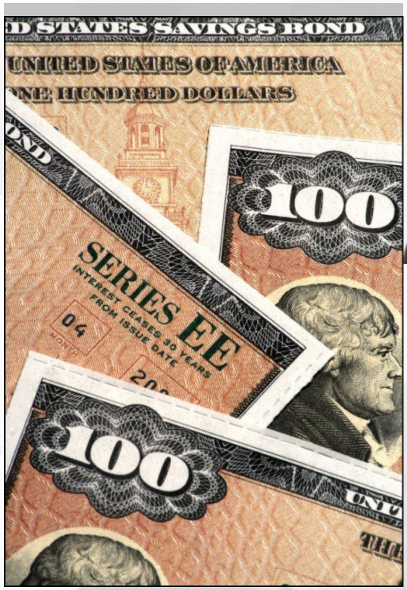
You might be interested in opening a Coverdell account if:

- You have less than $2,000 to invest in a year
- You want complete investment control
- You want to use the money for elementary or secondary school
- You meet the income limits

College Savings Options

U.S. Savings Bonds--Series EE and I

- Interest exempt from federal tax if income limits met
- Interest always exempt from state tax
- Principal guaranteed
- Series I bonds offer inflation protection
- Flexibility
- Easy to purchase--available in denominations from $50 to $10,000



College Savings Options

UTMA/UGMA custodial accounts

- Provides some opportunity for tax savings
- You typically manage the account
- Assets held in child's name--can be used to pay for college
- You have complete investment control
- Gifts are irrevocable
- Custodianship ends and child gains control of remaining assets at age 18 or 21

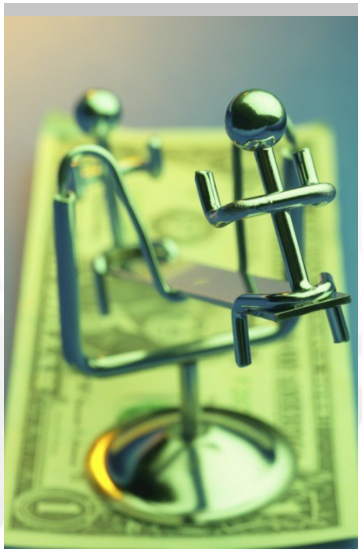
College Savings Options

UTMA/UGMA custodial accounts

Child's age	Account earnings	Federal tax
Under age 19 or traditional full-time student under age 24	\$0 - \$1,000	Tax exempt
	\$1,000 - \$2,000	Child's rate
	Over \$2,000	Parent's rate

College Savings Options

Mutual Funds & Stocks



- No tax advantages specific to education
- Example: $10,000 investment earning average of 7% per year for 18 years would equal $24,232 in a taxable mutual fund but $33,799 in a tax-free 529 plan or Coverdell account
- Difference of $9,567

Mutual fund investing involves risk and possible loss of principal. Investors should consider the investment objectives, risks, charges, and expenses of mutual funds carefully before investing. The prospectus contains this and other information, and should be read carefully before investing.

College Savings Options

Which Options Are Right for You?

	529 plans	Coverdell ESAs	U.S. savings bonds	Custodial accounts	Mutual funds & stocks
Eligibility restrictions		✓			
Low contribution limit		✓			
Full investment control		✓	✓	✓	✓
Tax-free earnings	✓	✓	✓		
Penalty for non-college use	✓	✓			
Parent's asset for financial aid	✓	✓	✓		✓
Fees	✓	✓		✓	✓

College Savings Options
Hypothetical Family

- Mary and Joe, 42 years old
- Two children, 7 and 5
- Combined income of $145,000
- $16,000 windfall
- Would like to make monthly contributions
  to a college fund

College Savings Options

Hypothetical Family

- ✓ 529 plan: automatic monthly contributions
- ✓ Coverdell ESA: meet income limits, buy stocks
- ✗ U.S. savings bonds: don't meet income limits
- ✓ Custodial account: gift appreciated assets

Saving for College and Retirement

It's a balancing act, but you should save for retirement now too because...

- No loans, grants, or work-study programs for retirement
- Miss out on years of tax-deferred growth; hard to catch up later
- Err on the side of saving for retirement
- Dip into your retirement accounts as a last resort

Role of a Financial Professional

A financial professional can help you by:

- Creating a college savings strategy tailored to you
- Completing a “dry run” through the financial aid formulas
- Reviewing your strategy in light of tax law and market changes
- Ensuring your retirement savings are on course

Conclusion

I would welcome the opportunity to meet individually with each of you to address any specific concerns or questions that you may have.

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