



Financial Wellness Series

An illustration featuring a large, white calculator with a black graduation cap (mortarboard) placed on top of it. A yellow tassel hangs from the right side of the cap. To the left of the calculator, a small man with a beard, wearing a red vest over a white shirt and blue pants, stands next to a very large orange pencil. The background is a light blue gradient.

David Herlihy

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Slavic401k



Agenda

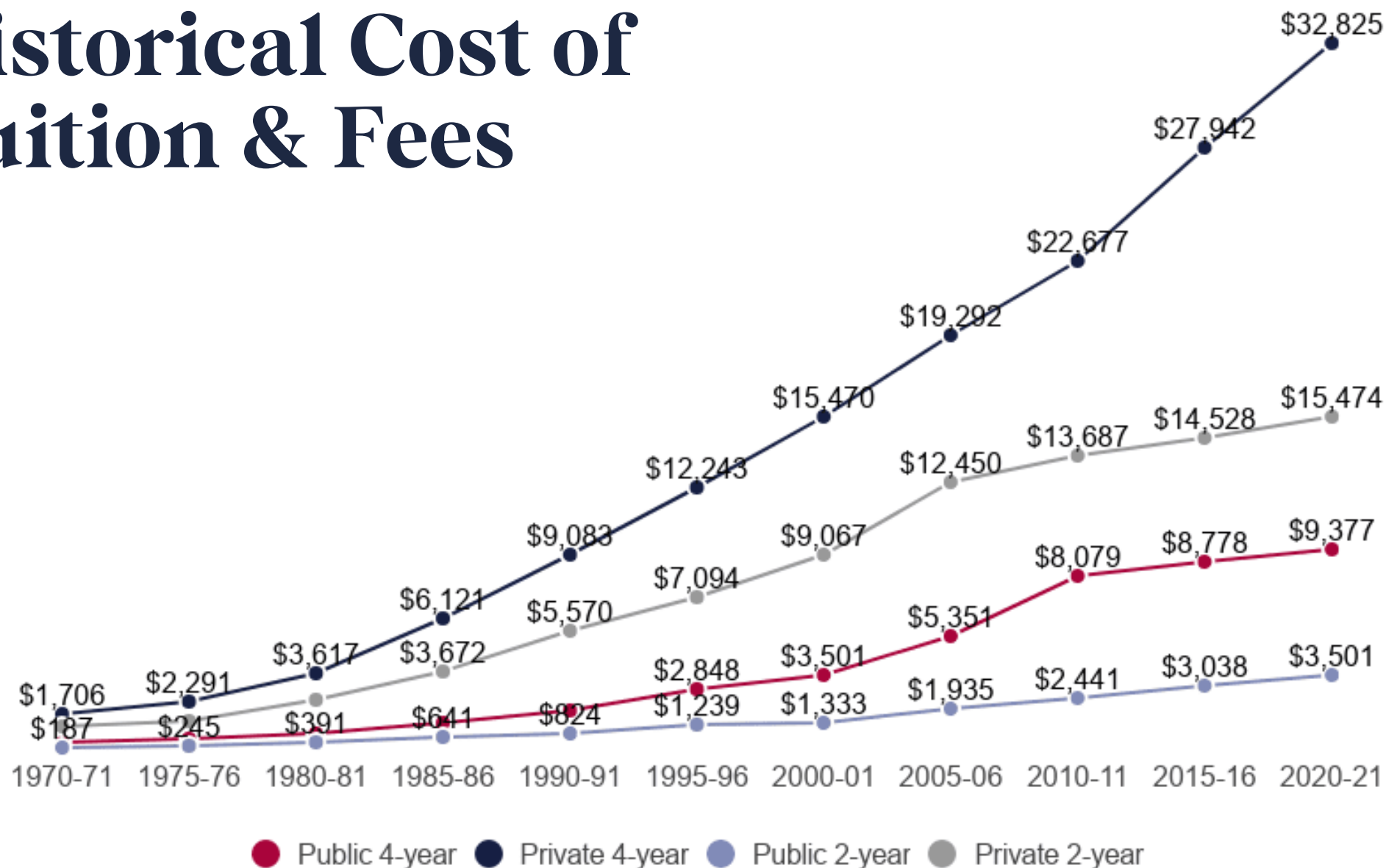
The Cost of College
Creating a Plan
Saving for College
Paying for College
Questions



The Cost



Historical Cost of Tuition & Fees



Education Data Initiative sources: National Center for Education Statistics



So...what's the cost of a degree?

Public

Institution Type	Total Cost of Tuition	Total Cost of Degree
4-Year In-State	\$37,508	\$102,828
4-Year Out-of-State	\$109,116	\$176,056
2-Year In-State	\$7,724	\$31,724

Private

Institution Type	Total Cost of Tuition	Total Cost of Degree
4-Year Nonprofit	\$150,564	\$218,004
4-Year For-profit	\$72,976	\$134,112
2-Year Nonprofit	\$35,936	\$66,540
2-Year For-Profit	\$31,530	\$54,492



A person wearing a black graduation cap and gown is holding a pink piggy bank in their right hand. The piggy bank is a simple, rounded design with a pink snout and ears. The person's left hand is resting on the side of the cap. The background is blurred, showing a purple and blue geometric shape on the left side of the image.

Saving for College

What's the key? Something is better than nothing!

- Start as soon as possible, even if it's a small amount.
- Consistent savings over time will provide much-needed education funds when your child is ready to go to college or trade/technical school.

43%

of parents **regret borrowing student loans** for their children, with three-quarters of parent student loan borrowers **sacrificing their own financial milestones** to do so.

- 2022 U.S. News & World Report -



Prioritize Your Savings

Keep things in perspective!

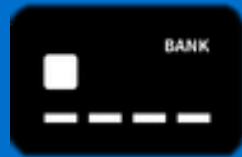
1

Emergency
Savings



2

Zero Credit
Card Debt



3

Retirement
Savings



4

College
Savings



Capture the Greatest Growth Potential

Every year you wait may be a missed opportunity

Hypothetical Example

Invest \$350 a month
for 18 years in a tax-
deferred account,
assuming a 7%
annual rate of return



Age of Child When Investing Begins	Years Until College	Potential Accumulation by College Age	Potential Missed Opportunity*
Newborn	18	\$148,154	\$0
1 year old	17	\$134,389	\$13,765
3 years old	15	\$109,502	\$38,652
5 years old	13	\$87,765	\$60,389



*Source: Fidelity Investments. The chart is not intended to predict or project the performance of any investment.

Education Savings Options

529 Plans

**Coverdell Education
Savings Account**

**Custodial Account
(UGMA/UTMA)**

**Investment Account
(Mutual Funds)**

Savings Bonds

Retirement Accounts



529 Plans

College Savings Plans

Help families save money for future education costs and vary by state.

Prepaid Tuition Plans

When money is withdrawn for qualified education purposes, it is not taxed. Tax favorability varies depending on your state and the plan you choose.



529 College Savings Plans

These plans allow a parent or grandparent to open an account on behalf of a child. Additionally, the beneficiary can be changed to a qualifying family member without tax consequences.

- No annual limits
- Anyone can contribute to the plan on behalf of the beneficiary
- Up to \$75,000 per beneficiary can be transferred to the account, gift-tax free



529 College Savings Plans

Financial Aid Consideration

These accounts are considered parental assets and are factored in for financial aid consideration at a **maximum rate of 5.6%**, which is less than the 20% if held in a custodial account, where they would be considered student assets.



You are not restricted to using the plan in your state of residence.

Be sure to compare fees and investment options.

[Learn More](#)

In-State vs. Out-of-State 529 Plans

Calculating the Actual Benefit

Hypothetical Example*

- You invest \$10,000 in an in-state 529 plan.
- Your state allows you to deduct \$2,000.
- The state tax rate is 5%.
- You are in the 33% federal tax bracket.

Multiply state's maximum allowed deduction by state tax rate.

\$2,000
deduction

X

5%
tax rate

=

State tax rebates are taxed at federal tax levels. Multiply the bracketed figure by (1–federal rate).

[\$100] X (1–33%)

➔

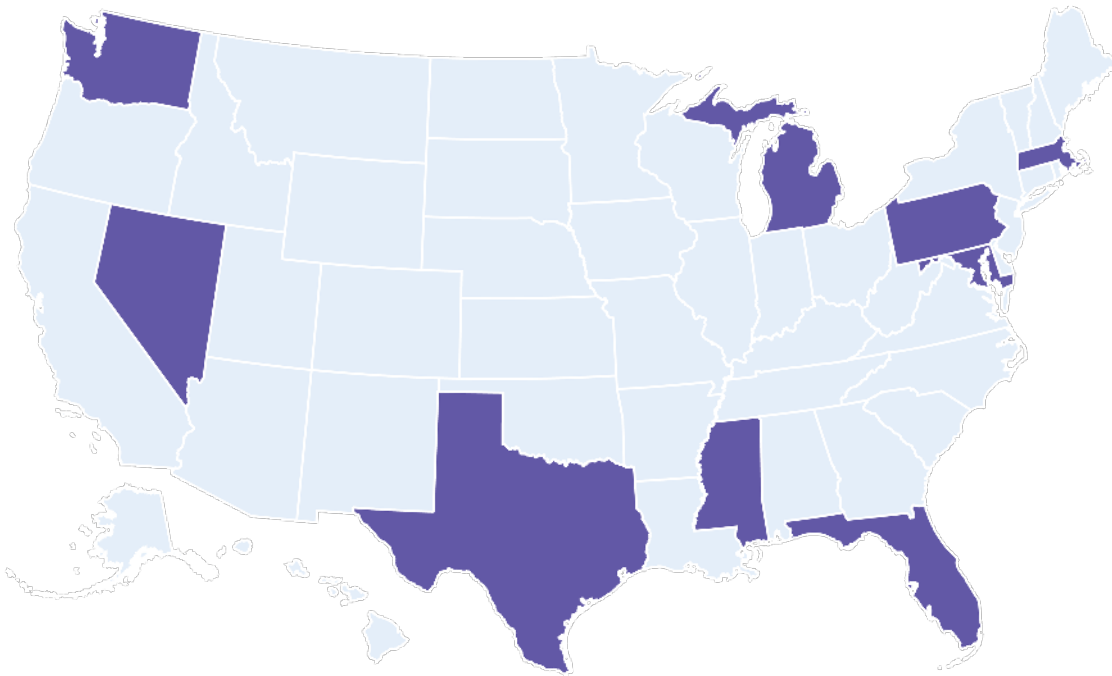
\$67
benefit

[State Tax Deduction Calculator](#)



*Source: Fidelity Investments. Not based on any specific state's 529 tax deduction or state income tax rates.

529 Prepaid Tuition Plans



- Pay tuition for tomorrow at today's rates.
- Limited to state system

[Learn More](#)

Coverdell Education Savings Account

Similar to a 529 plan, a CESA offers tax-free investment growth and tax-free withdrawals when funds are spent on qualified education expenses.

- \$2,000 limit per beneficiary/year
- Income restrictions of \$110,000 (filing single) or \$220,000 (filing jointly)
- Contributions cannot be made after the beneficiary turns 18
- Must be used before beneficiary turns 30 (or transferred)
- Account owners can invest in stocks, bonds, and mutual funds



Custodial Account (UGMA/UTMA)

A custodial account is a taxable investment account opened on behalf of a child.



Uniform
Gift to
Minors Act
(UGMA)

Uniform
Transfers to
Minors Act
(UTMA)

The main difference between a UTMA and a UGMA is the asset makeup of the account.

- The **UGMA** contains only financial products such as stocks, bonds, and mutual funds.
- A **UTMA** can have financial assets and physical assets. Some physical assets include real estate, jewelry, and fine art.

The UGMA provides a way to transfer property to a minor without the need for a formal trust.

Custodial Account (UGMA/UTMA)

- A custodian sets up and controls the account until the minor reaches legal adulthood.
- Allows for more flexibility than 529 plans and are not restricted to paying education usage but offer fewer tax benefits for parents.
- Considered the student's assets and may negatively impact financial aid eligibility.

[Learn More](#)



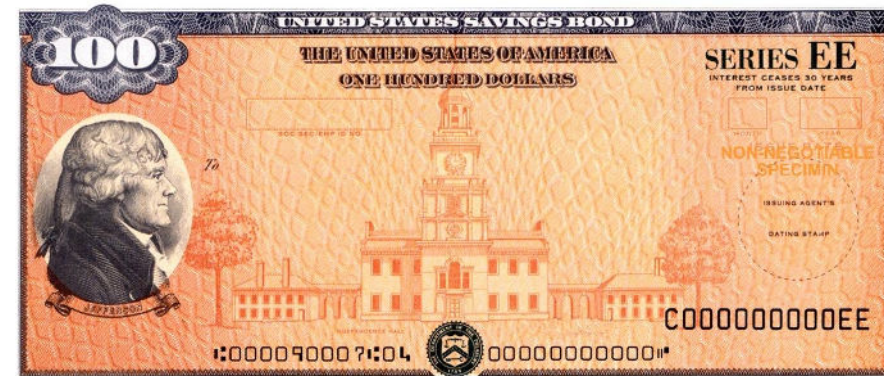
Investment Account

- This option offers freedom from restrictions on how you can use the investment. But you will be subject to annual income taxes, and capital gains taxes will be paid when shares are sold.
- These assets may reduce financial aid eligibility.



Savings Bonds

- A safe investment guaranteed by U.S. government.
- When redeeming qualifying savings bonds for education purposes, you can exclude the income for tax purposes.
- The rate of return is almost zero in this low interest rate environment.



Learn More



Retirement Accounts

- While retirement savings accounts are an option, should be a last option as a way to fund college education.
- Allowed to take an early withdrawal prior to age 59 ½ without incurring the 10 % early withdrawal penalty
- Up to 50,000 or half of the overall balance of the 401(k) whichever is less.
- Will still pay income tax on the withdrawal





Paying for College

In additional to your savings...

- Grants
- Scholarships
- Work-Study Program
- Loans



- Available on October 1
- Fill out as soon as possible
- You must complete to be considered for federal aid such as grants, work student and student loans
- Some states, schools and colleges also use the FASFA to award financial aid

Application



Grants

- Do not require repayment, are typically awarded annually based on information provided on the FAFSA
- Offered by federal and state governments, colleges, and independent organizations
- Most common federal grant programs:
 - Federal Pell Grant
 - **Awards up to \$7,395** for 2023-24 and awarded to all who qualify.
 - Federal Supplemental Educational Opportunity Grant (FSEOG)
 - **Awards from \$100-\$4,000** and on a first come, first served basis.



Scholarships

- Monetary awards to pay for tuition and education expenses
- Do not need to be paid back
- Colleges and universities can award merit-based scholarships
- Search online for scholarships; these could come from private sources or companies
- Ask your guidance counselor about local scholarships

[Learn More](#)



Federal Work Study

- Part-time jobs funded through the Federal Work-Study program
- Offered to students with financial need
- Must fill out the FAFSA to qualify
- Check with your school's financial aid office to see if they participate



Federal Student Loans

Loan types

Direct Subsidized Loans

- Government pays interest during and right after school

Direct Unsubsidized Loans

- Interest accrues upon disbursement

Both loans have a cap on funds available for the student.

Direct/Parent Plus Loan

- Available to any parent, graduate or professional student
- Ability to take loan for the total cost of school
- Higher interest rate
- Higher disbursement fee
- Require credit check



Private Loans

- Used if parents do not want the loan in their name vs the students/credit issues
- Long term debt can be held in student's name
- Requires a credit check
- Help you save on interest (competitive)
- Limited on forgiveness and repayment programs



Questions



Thank you!

For additional questions, or, to inquire about
Wealth Management Services, contact:

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Slavic401k.com/events

- Saving for Retirement: July 19

