

OVER \$100k

That's the average 4-year cost of attending a public university for a student living on campus, according to the Education Data Initiative.

And that's the in-state cost.

Out-of-state students pay over \$175,000, and private universities are now averaging close to \$220,000 for four years.

Gulp.

TOP PARENTAL REGRET

Behind not setting aside enough time for their kids during childhood and comparing their kids to others too often, the third biggest parental regret is not saving enough for college.

Less than half of parents save for college at all, with only a third of Americans knowing what a 529 college-saving plan even is.

A Sallie Mae/Ipsos report (2020) found that only 48% of families with a kid in high school put anything away for future education – of which the average saved was just over \$26K. Less than half of those started saving early in the child's life:

44% started saving before the child was 7

32% started between the ages of 7-12

16% started saving when the child was a teenager

529 COLLEGE SAVINGS PLAN

A custodial account (adult controls for a minor) that allows people to save for future education expenses.

A 529 allows for:

- Tax-deferred earnings growth, tax-deductible contributions (in some states), and tax-free withdrawals as long as the funds are used for qualified educational expenses.
- Qualified educational expenses that 529 funds may be used for are wide-ranging, including college expenses such as tuition and fees, room and board, books and supplies, computers, software & internet access, special needs equipment, and up to \$10,000 of student loan debt.

In addition, up to \$10,000 from a 529 can be used for tuition & fees for elementary, middle, or high school. Non-qualified expenses will incur federal income tax as well as a 10% penalty. Things like health insurance and childcare do not qualify.

- Parents (or grandparents) can contribute up to \$17,000 a year per person (or \$34,000 per couple) before contributions are considered gifts by the IRS.

A 529 opened for an infant can take advantage of at least 18 years of compounded growth. The later you wait, the less time available for money to grow, and the more money that has to be contributed either by the student themselves, parents, grants, or scholarships.

529s AFFECT FINANCIAL AID

During the college application process, students and their families often fill out the **Free Application for Federal Student Aid (FAFSA)** form to apply for federal financial aid. This is separate from the College Scholarship Services (CSS) application required by some colleges.

For the FAFSA, 529 funds are considered a parental asset and there's an Asset Protection Allowance that allows up to \$10,000 of parental assets to be sheltered from calculation for federal student aid purposes. Parental assets beyond that amount, 529 included, will reduce a student's financial aid eligibility by up to a maximum of 5.64%.

Every \$10,000 of a 529 account (beyond the first \$10,000 of overall parental assets) will be reduced by \$564 in prospective federal student aid.

Note: A 529 account owned by others besides parents, like by a grandparent, is *not* included in the FAFSA calculation. The trade-off: the FAFSA ignores parent-owned 529 distributions for student income purposes, whereas expenses paid by grandparent-owned 529 accounts will be treated as student income for the following year's FAFSA calculation, potentially having a significant impact on the financial aid awarded.