

An Educational Roadmap

Your Education Guide from Diapers to Diploma



Save today. Secure tomorrow.



Washington State's
529 Prepaid College
Tuition Program



Discussion Objectives

✓ **Review**

- History, statistics and concepts

✓ **Learn**

- GET, other 529 plans, financial aid and scholarships

✓ **Prepare**

- Roadmap for savings and gather additional resources

How America Saves

The background of the slide is a close-up, slightly blurred image of the American flag, showing the red and white stripes and the blue field with white stars.

- ✓ 51% of American families are saving for college.
- ✓ Total average savings for higher education is \$15,346
- ✓ Families typically use two or more vehicles to save.
 - General Savings Accounts: 45%
 - 529 Savings Plan 29%
 - Checking Account 27%

How America Saves

The background of the slide is a close-up, slightly blurred image of the American flag, showing the red and white stripes and the blue field with white stars.

- ✓ Savings for college is a top priority, second only to retirement (55% of Families)
- ✓ Parents with a plan have saved 83% more (\$18,518) than savers who don't have a plan (\$10,125).
- ✓ Parents with a plan expect to cover 40% of their college costs with their income and savings.

Top Reasons for Not Saving



- ✓ Don't have enough money (58%)
- ✓ Expecting financial aid or scholarships (22%)
- ✓ Haven't gotten around to it (21%)
- ✓ Focusing on other savings priorities (20%)

Did you know?


College tuition increased an average of **8.6%/year** over the last decade.

2/3 of college costs are covered by parental income, savings and loans.

Average student loan debt is now over **\$30,000.**

By 2018, **most jobs will require** post-high school education

Why start early?

- 
- ✓ To be prepared
 - ✓ To reduce future debt
 - ✓ For peace of mind

Where do I start?



Think

What do I
need to do?

Read

What
can I do?

Plan

What will I do?

Pre-Birth - Kindergarten

Financial Planning Tips:

- ✓ Research savings options
- ✓ Plan your savings goals
- ✓ Start saving
- ✓ Contribute regularly
- ✓ Ask family to help

Pre-Birth - Kindergarten

Education Planning Tips:

- ✓ Read everyday
- ✓ Join a parenting support group
- ✓ Research childcare and preschool options
- ✓ Decide between public and private school
- ✓ Focus on child development (social, emotional, academic)
- ✓ Prepare for Kindergarten

1st – 5th grade

A photograph of a female teacher with dark hair pulled back, wearing a teal top, smiling as she interacts with a young boy in a dark blue polo shirt. They are both looking at a pink piece of paper on a white table. In the background, other children are visible, some holding green papers, in a classroom setting with a chalkboard and wooden chairs.

Financial Planning Tips:

- ✓ Continue to save
- ✓ Increase when possible
- ✓ Add other options to the mix
- ✓ Begin teaching your kids about finances

1st – 5th grade

A photograph of a teacher with dark hair, wearing a teal shirt, smiling and looking down at a young boy in a dark blue polo shirt who is holding a pink paper. In the background, another student is visible, and the setting appears to be a classroom with a wooden chair and a chalkboard.

Education Planning Tips:

Five Keys to Academic Success

1. **Organization**—*Make checklists for your child*
2. **Time Management**—*Designate time for homework*
3. **Prioritization**—*Learn to label and rate tasks*
4. **Concentration**—*Create a good study environment*
5. **Motivation**—*Tap into your child's interests*

6th – 8th grade

Financial Planning Tips:

- ✓ Keep saving
- ✓ Increase when possible
- ✓ Add other options to the mix
- ✓ Research and apply for College Bound Scholarship
- ✓ Continue financial education with your child, teaching them how to create and manage a budget. Introduce the concepts of credit, investments and risk management.

6th – 8th grade

Education Planning Tips:

- ✓ Gather all the info needed to stay on track to attend college
- ✓ Create a goal achievement plan with timeframe, action steps and possible obstacles to overcome, monitor progress
- ✓ Take college prep classes
- ✓ Get involved in extracurricular activities, volunteer.
- ✓ Visit with your guidance counselor
- ✓ Visit a college campus

High School



Financial Planning Tips:

- ✓ Keep saving
- ✓ Start researching scholarships
- ✓ Start work-study and financial aid planning
- ✓ Start a cost analysis of choices
- ✓ Support your child in getting a part-time job to save money and learn how to pay bills and taxes so they are prepared for the independence that comes with college

High School

Education Planning Tips:

- ✓ Attend college fairs
- ✓ Start researching colleges that fit interests, budget, location
- ✓ Start SAT/ACT test preparations
- ✓ Consider AP or IB classes to gain college credit
- ✓ Seek out internships to gain experience.
- ✓ Get letters of recommendation
- ✓ Create a portfolio

What is GET?



Washington's 529 Prepaid College Tuition Plan

Established in 1998 as a guaranteed way to save for college.

GET is a strong foundation for your college savings plan.

We're committed to customer service and supporting student success.

What is a 529 Plan?

Tax advantaged savings plan designed to save for future higher education expenses.

✓ **Two types**

- Prepaid Tuition Plans
- Savings Plans

✓ **Who offers them**

- 49 states, plus Washington D.C.
- Plus one for private colleges

✓ **529 Benefits**

- Use at any school with US Federal ID Code
- Pay for any qualified higher education expenses
- Tax-free growth when used for education



Benefits of GET



to keep pace with tuition.



growth and withdrawals.



at colleges, universities and technical schools nationwide & in other countries.



Units can be transferred, put on hold, or even refunded if needed.

How does GET work?



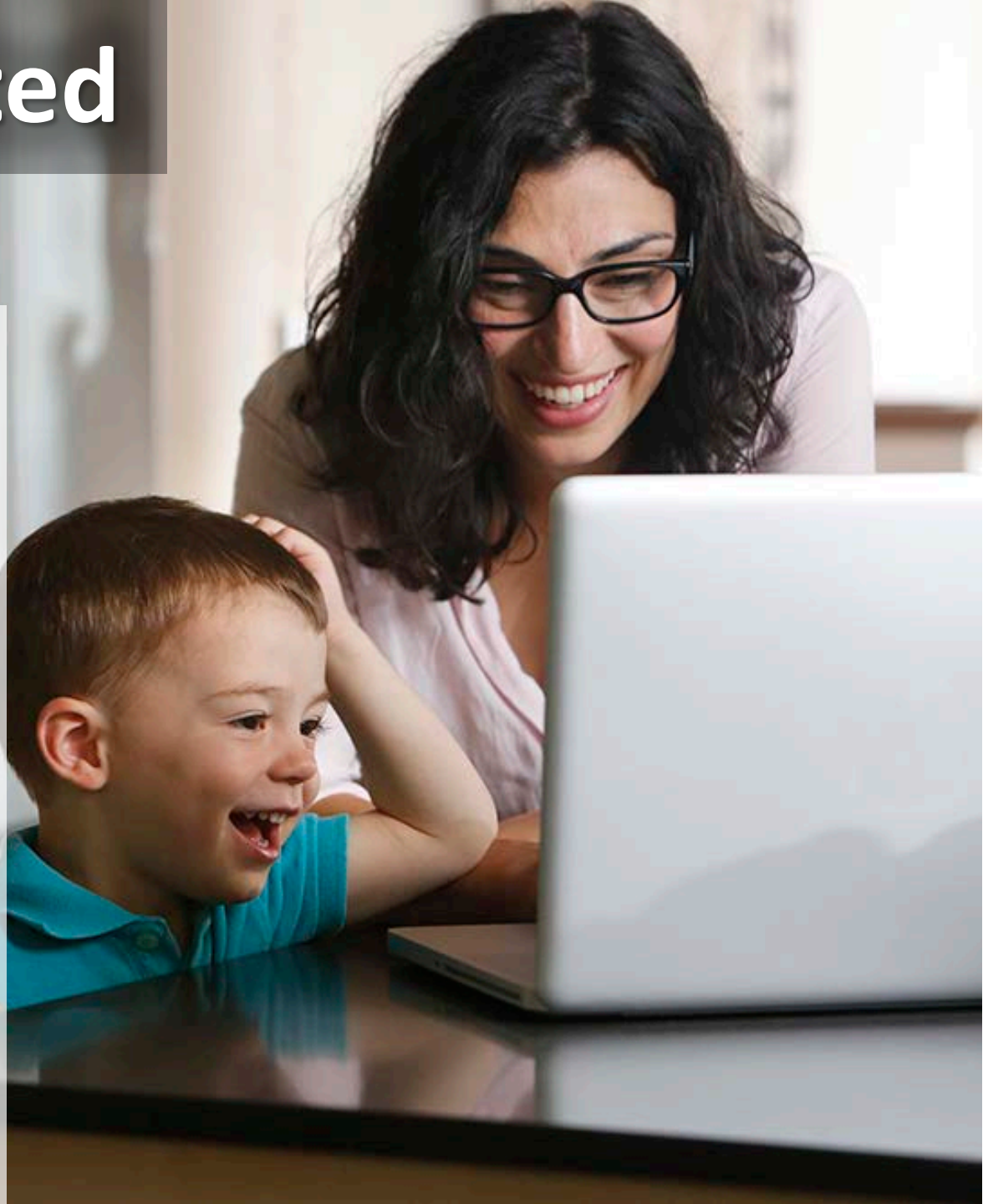
Flexible and Easy to Use

- ✓ 1 to 500 units/student
- ✓ Use up to 125 units per year plus carry over
- ✓ Use GET nationwide
 - Public or private
 - 4 year, community or technical colleges
- ✓ Pay for qualified expenses
 - Tuition
 - Room & board
 - Books & supplies
 - Fees



Getting Started

- ✓ Choose a payment plan:
 - Lump Sum
 - Custom Monthly
 - Both
- ✓ Make regular contributions
- ✓ Tell family & friends:
GET makes a great GIFT!



Choosing a Plan



Lump Sum Plan

- ✓ Contribute any amount, whenever you want
- ✓ Unit price may change every year

Custom Monthly Plan

- ✓ Select number of units & payment term
- ✓ Regular monthly payment that doesn't change

OR

Combination

- ✓ Open a Custom Monthly Plan - add extra Lump Sum amounts when you can.

Ask for Help



Family and friends can help!

- ✓ GET is an excellent gift idea
- ✓ Everyone can help – grandparents, aunts, uncles, cousins and friends

Ask for Help

Gifting for College Savings

- ✓ Contributions up to \$14,000 a year, per recipient, are exempt from gift taxes (up to \$28,000 for married couples).
- ✓ You can also make a lump-sum contribution of up to \$70,000 (\$140,000 if married) per beneficiary and then average the contribution over a five-year period without triggering the gift tax -- provided you make no other gifts to that beneficiary for the next five years.

When it's time for college

- ✓ Apply
- ✓ Acceptance
- ✓ Register
- ✓ Pay with GET

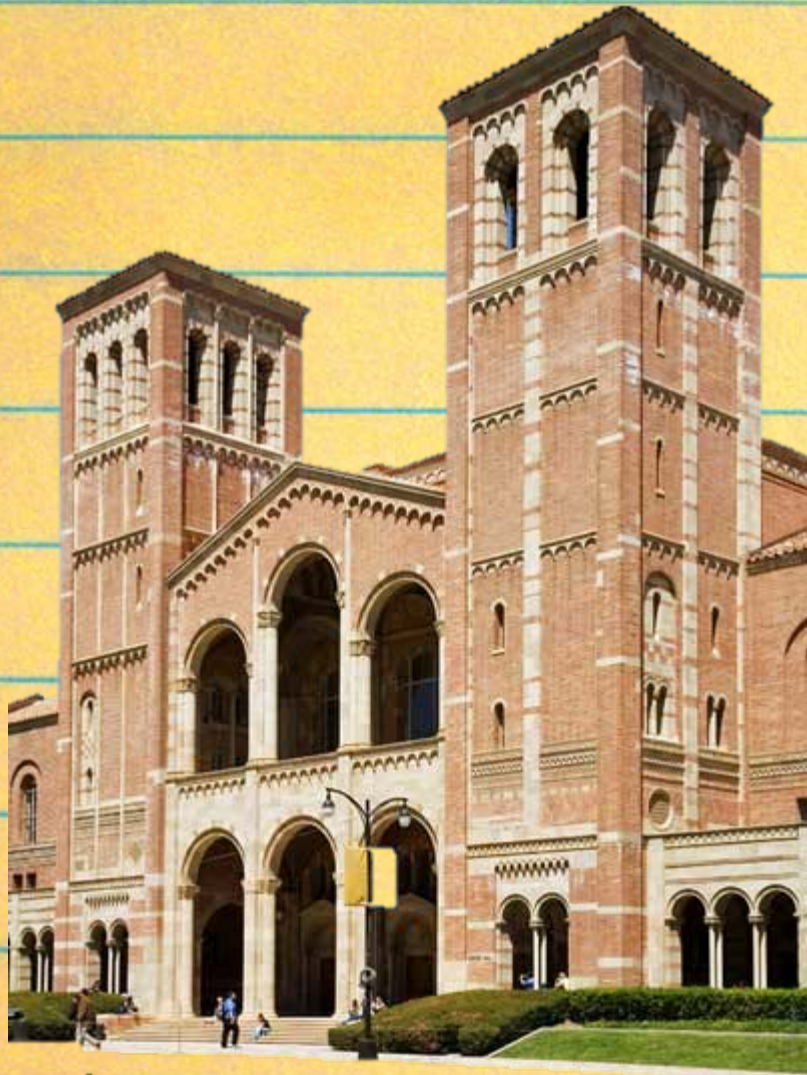


529 Tips



- ✓ **Communicate and avoid double trouble.**
If multiple 529 accounts exist for the same beneficiary make sure your don't take multiple distributions for the same expense or you may be stuck with a taxable event.
- ✓ **Make sure educational expenses are qualified.**
Lines can sometimes blur. Computer equipment is a great example.

529 Tips



✓ **Distributions can be made to three parties:**

- 1.) Account Owner
- 2.) Student (Beneficiary)
- 3.) School.

Be sure to know how your distributions could affect your income taxes and financial aid packages.

- ✓ **Don't wait till the last minute.** Spring semester payments can cause a problem because many folks take a 529 distribution in a year different from the year the qualified expense was billed.

529 Tips



- ✓ These plans are treated as an asset of the account owner (vs. the student) when calculating the expected family contribution toward college costs, so they have a comparatively low impact on financial aid eligibility.
- ✓ That's why it's important for parents or grandparents to maintain ownership of the account.

What if...

A photograph of two young boys sitting on a grassy lawn. The boy on the right, wearing a bright green polo shirt, is leaning forward and speaking to the boy on the left. The boy on the left, wearing a plaid shirt, is looking towards the speaker. The background is a blurred green lawn with trees.

- ✓ My child gets a scholarship?
- ✓ Decides not to go to college?
- ✓ We move out of state?
- ✓ Our financial situation changes?

How to Enroll

A group of four children in black graduation gowns are celebrating in front of a school building. They are jumping and cheering with their arms raised. The building has a large arched doorway and a brick facade.

Enroll Nov. 1 – May 31 at
www.get.wa.gov

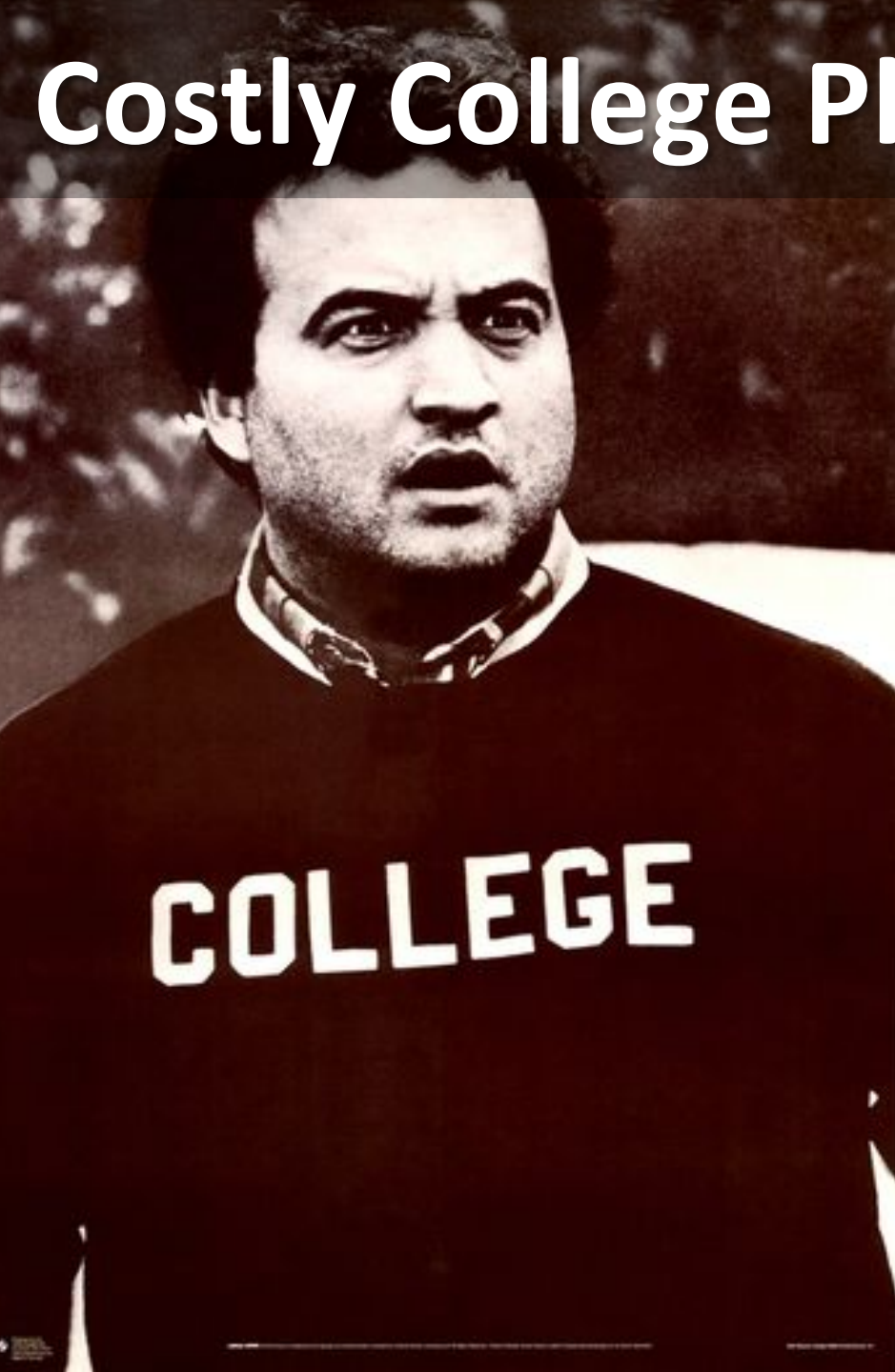
- 1) Open an account
- 2) Choose a plan
- 3) Start saving!

Need Help?

GETInfo@wsac.wa.gov

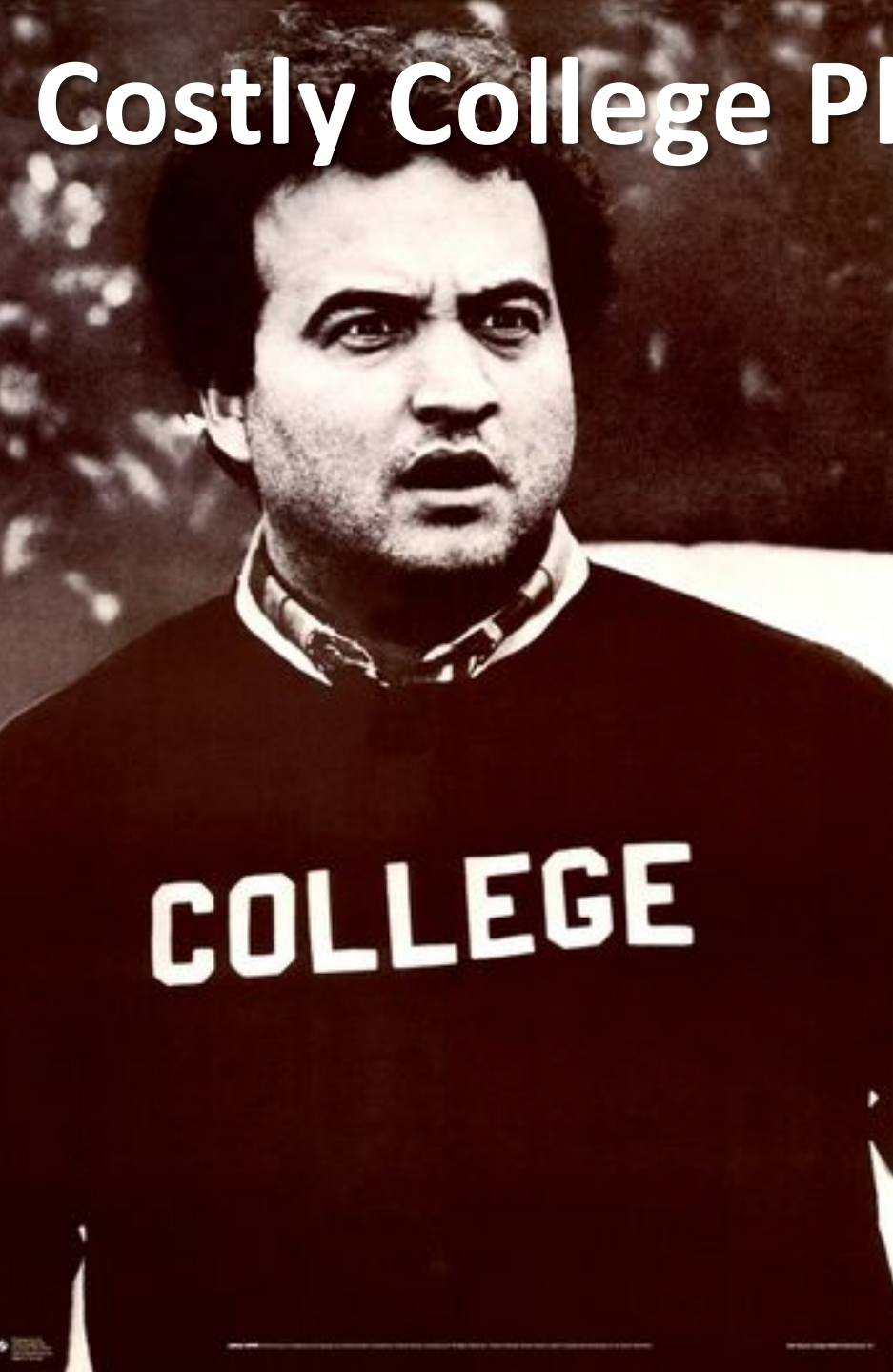
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Costly College Planning Mistakes



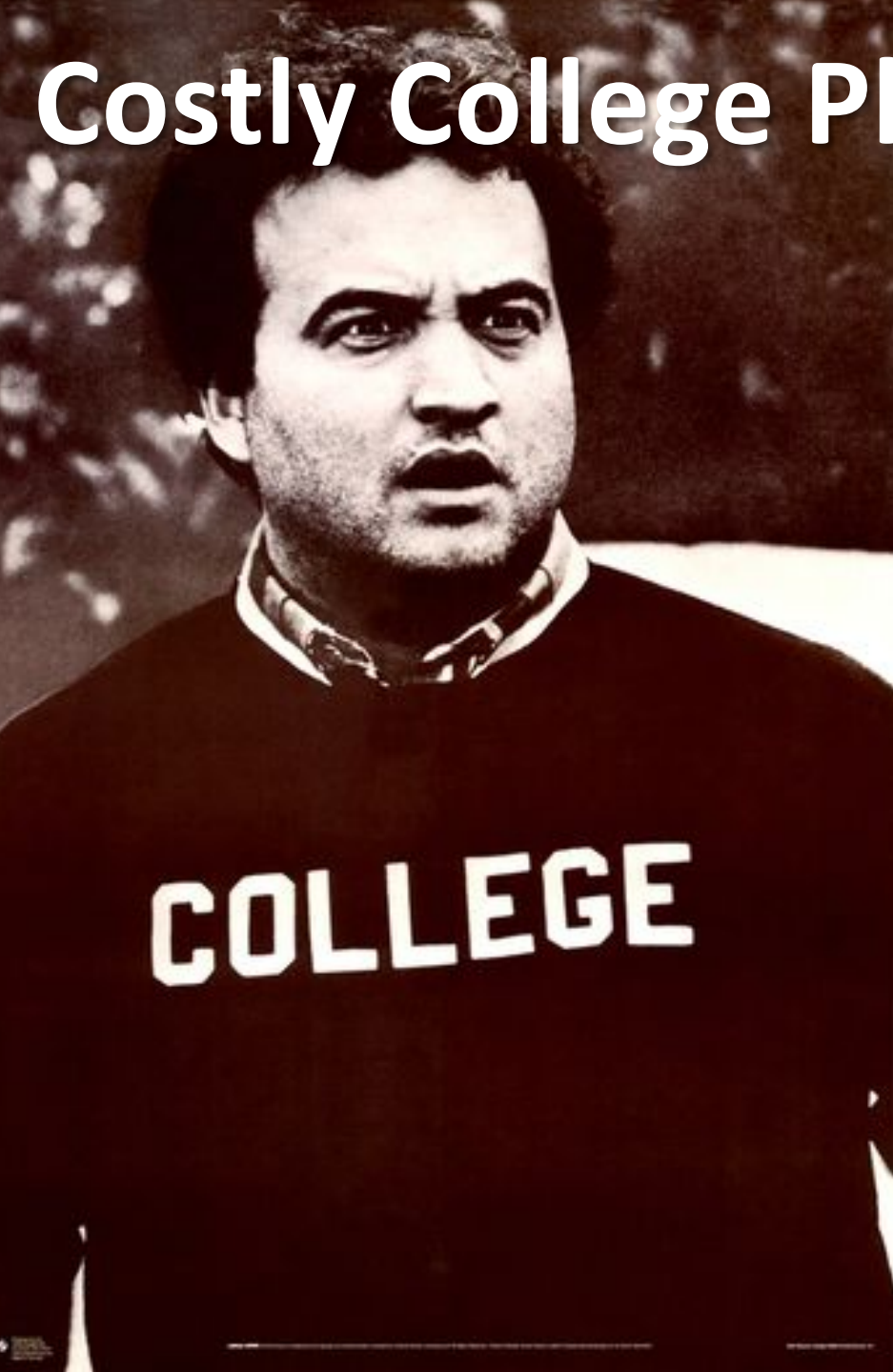
- ✓ **Not discussing who is responsible.**
 - ✓ Your child's expectations about your contributions may not match reality.
- ✓ **Stashing funds in a traditional savings account.**
 - ✓ The best interest rate at best is just 1%. Put your money to work for you.
- ✓ **Ignoring inflation.**
 - ✓ Nationally from 1985-2013, college tuition rose 538%, compared to the Consumer Price Index at just 121% and medical expenses at 286%

Costly College Planning Mistakes



- ✓ **Compromising your nest egg.**
 - ✓ It's easy to have an emotional reaction, but don't forget you can't take a loan for your retirement, so don't compromise your savings.
 - ✓ Loans for school are not a bad thing. You just don't want to be financing your entire education bill. It's about finding a healthy balance.
 - ✓ Remember, your children have a better chance of fending for themselves financially because they have time on their side.

Costly College Planning Mistakes



- ✓ **Delaying the process.**
 - ✓ Remember, the power of compounding interest will be in your favor if you start early and invest wisely. Don't put your child's education at risk by hoping for scholarships, an inheritance or risky investment.
- ✓ **Not understanding how 529's work.**

Additional Ways to Save

A hand is shown from the top right, dropping a coin into a white piggy bank. The piggy bank is sitting on a grassy field under a blue sky with white clouds. The background is slightly blurred, focusing attention on the piggy bank and the hand.

IRS 529 College Savings Plans

- ✓ Many states offer them. Also a private colleges 529 plan
- ✓ Accounts also grow tax-free
- ✓ Use for qualified higher education expenses
- ✓ No guarantee – value based on portfolio value at time of withdrawal
- ✓ Maximum contributions up to \$418,000
- ✓ Available through the state offering it.
www.collegesavings.org

Examine Plan Fees

A hand is shown dropping a coin into a white piggy bank. The piggy bank is sitting on a grassy surface. The background is a bright blue sky with white clouds. The overall scene is bright and sunny.

- ✓ Common fees include those for opening an account, annual maintenance, administration costs, and most importantly, sales commissions if you're buying from a brokerage -- which could be up to 5.75 percent of your contribution. Buying directly from the plan eliminates sales fees but puts the onus on you to research the best option for your needs.

Examine Investment Performance

A hand is shown dropping a coin into a white piggy bank. The piggy bank is sitting on a patch of green grass. The background is a bright blue sky with white clouds. The overall scene is bright and sunny.

- ✓ Both when you enroll and periodically thereafter. A number of independent analysts regularly review 529 plans state-by-state for performance and overall expense, including: [Morningstar](#), [College Savings Plans Network](#), [Savingforcollege.com](#) and [Finaid.org](#).

Additional Ways to Save

A hand is shown from the top right, dropping a coin into a white piggy bank. The piggy bank is sitting on a grassy field. The background is a bright blue sky with white clouds. The overall scene is bright and sunny.

Coverdell ESA

(Educational Savings Account)

- ✓ Accounts grow tax-free
- ✓ Use for qualified education expenses
 - K-12 and higher education
- ✓ Annual contribute limit of \$2000
- ✓ No guarantee – value based on portfolio value at time of withdrawal
- ✓ Contribute until student is age 18
- ✓ Available through banks, mutual funds, brokerage houses

Additional Ways to Save

A hand is shown dropping a coin into a white piggy bank. The piggy bank is sitting on a patch of green grass. The background is a bright blue sky with white clouds. The overall scene is bright and positive, symbolizing saving and investment.

Custodial Account UGMA/UTMA)

- ✓ Does not grow tax-free
- ✓ Withdrawals can be made for any reason
- ✓ No guarantee – value based on portfolio value at time of withdrawal
- ✓ Unlimited contributions
- ✓ Possible negative impact on financial aid
- ✓ Account controlled by child at age of majority
- ✓ Available through brokerage houses or mutual funds

Additional Ways to Save

A hand is shown in the upper right corner, holding a coin and about to drop it into a white ceramic piggy bank. The piggy bank is sitting on a patch of green grass. The background is a bright blue sky with scattered white clouds. The overall scene is bright and sunny, symbolizing saving and investment.

Gerber Life College Plan

- ✓ An endowment life insurance policy, marketed as a college savings plan (not a 529 plan)
- ✓ Face-value between \$10,000 and \$150,000, paid out upon maturity or death of policy holder
- ✓ Does not grow tax-free
- ✓ Withdrawals can be used for any purpose, not just college
- ✓ Monthly premiums vary depending on value selected, plus age & health of policy holder

Additional Ways to Save

A hand is shown dropping a coin into a white piggy bank. The piggy bank is sitting on a grassy field under a blue sky with white clouds. The background is slightly blurred, focusing attention on the piggy bank and the hand.

Student Loans

- ✓ Federal Stafford Loans
(Subsidized & Unsubsidized)
- ✓ Parent PLUS Loans
- ✓ Perkins Loans
- ✓ Private Student Loans
- ✓ Mortgage & Home Equity Loans
- ✓ Intra-Family Loans
- ✓ Life Insurance Policy Cash Value Loan
- ✓ 401K Loans

Student Loan Crisis

- ✓ **Borrowers don't know what they are getting into.**

- ✓ First major financial transaction
- ✓ Students don't understand compounding interest
- ✓ "Doesn't make sense to let students make bad decisions and then try to rescue them afterwards."

Sandy Baum, Professor George Washington University.

- ✓ **Students are borrowing too much.**

- ✓ Average \$30,000 in student loan debt.
- ✓ 37 million Americans with student loan debt, 1/3 are over the age of 40!



Student Loan Crisis

- ✓ **Borrowers can't afford their loan payments.**
 - ✓ Student loan debt has the highest delinquency rate: (11.5%)
- ✓ **Repayment options are confusing and cumbersome.**
 - ✓ “Borrowers learn of repayment options as they approach graduation—before they know what they’ll be earning or what expenses they’ll face. That can make the trade-offs between a lower monthly payment and a longer repayment period hard to evaluate.”

***Robert Shireman,
Executive Director of California Competes***

Why Save for College?

An example of how borrowing \$25,000, instead of investing, can double the out-of-pocket cost of college:

INVEST in a 529 Plan

About \$106 per month for 15 years – assuming a 6% annual return but not representative of any particular investment.

This means investing approximately \$19,000 over time to potentially build a \$25,000 investment for college.

OR

PAY Student Loan Debt

About \$320 per month for 10 years, with payments starting after accruing interest during four years of college and assuming an 8% annual interest rate, which was used to depict a blend of various interest rates representing various loan types.

This means total loan payments of approximately \$38,000 to repay \$25,000 of student loan debt.

Starting Early Can Make a Big Difference!

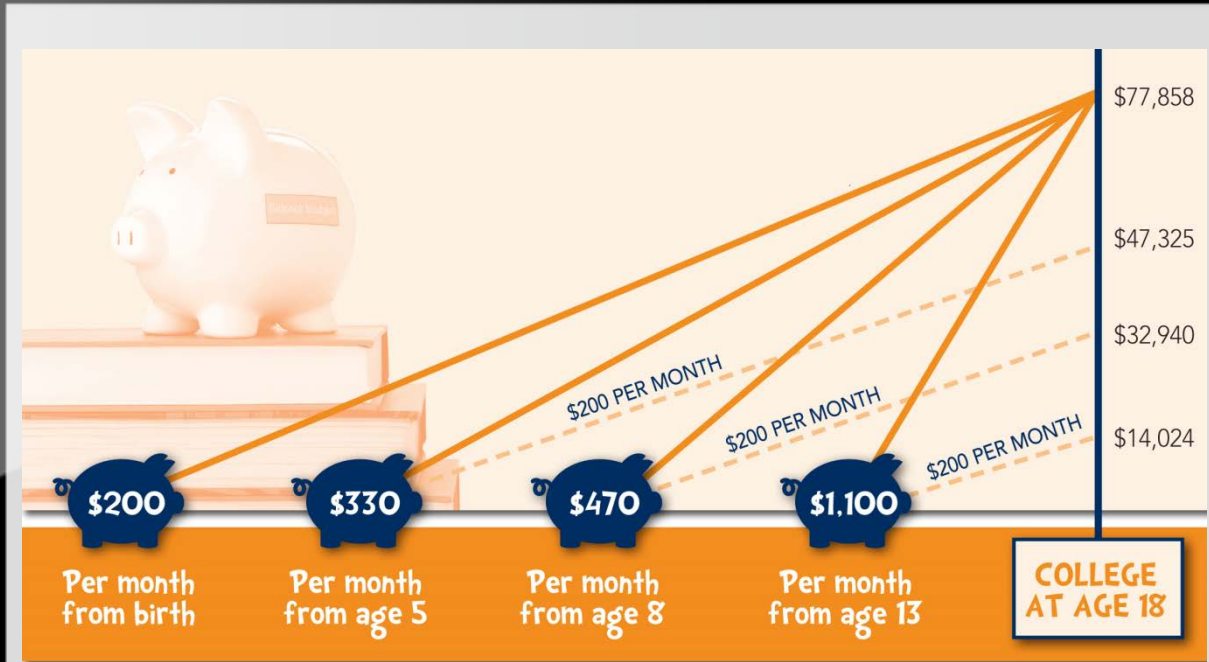


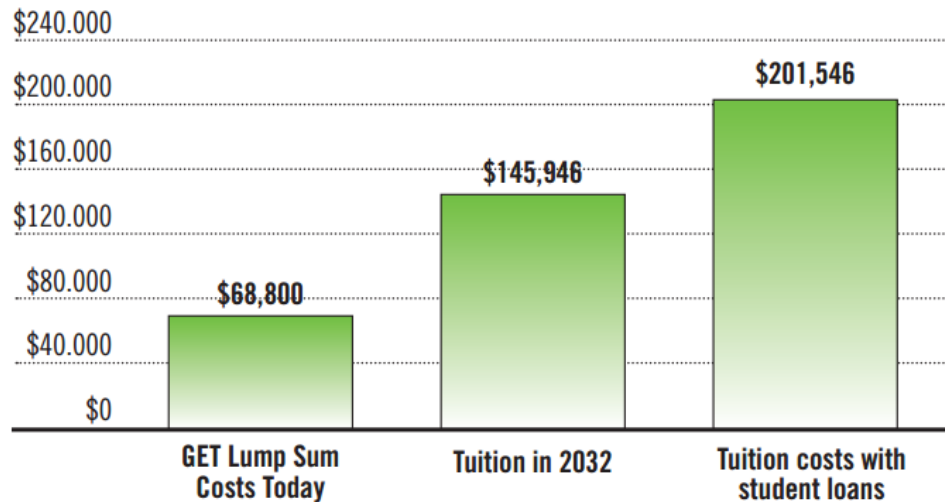
Chart assumes a hypothetical 6% rate of return compounded monthly. This chart is for illustrative purposes and does not represent the return of any specific investment option. Investment returns in a college savings plan will vary and may be higher or lower than this example. Making automatic monthly contributions does not assure a profit or protect against loss during varying market conditions. The depiction does not include fees and any fees assessed by the investment offering could have an impact on returns.

Savings today vs. Buying Tomorrow



Four years of college tuition

Planning ahead for today's newborn.



Above chart is for illustration purposes only and actual figures may vary. Costs are based on Washington's most expensive public university, assuming annual tuition inflation of 8.0% for 2 years, followed by 2 years of 7.0% and 2 years of 6.0% increases, then an average annual increase of 5.5%. Estimates are based on October 2014 State Actuary Report. Student loans are based on 6.8% interest rate for Direct Unsubsidized Loans over 10 years.

The Bottom Line

- ✓ **College continues to get more expensive:**
The sooner you can start saving, the less your kids will have to rely on expensive loans down the road.
- ✓ **Set realistic goals:**
Save about one-third of your expected college costs. When the time comes, current income, grants and loans can cover the rest.
- ✓ **Planning ahead is the key:**
Don't leave your plan to chance.



Additional Resources

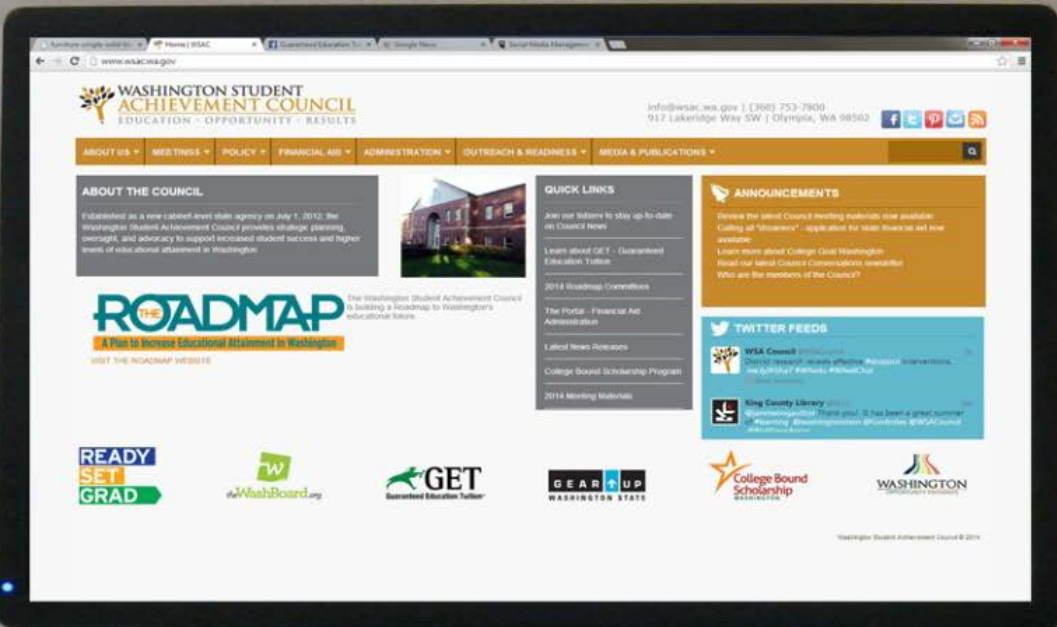
- ✓ www.get.wa.gov/k-12.shtml
- ✓ www.thewashboard.org
- ✓ www.fafsa.ed.gov
- ✓ www.collegesavings.org
- ✓ www.sib.wa.gov/financial/fp_ot.asp
- ✓ www.irs.gov/pub.irs-pdf/p970.pdf

More Information



www.wsac.wa.gov

- ✓ GET
- ✓ College Bound
- ✓ Gear Up
- ✓ Grants & Scholarships
 - State, college-based, private



ANY
QUESTIONS

?

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