

# Planning for College



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# a college education...

- Viewed as a fundamental requirement in today's business world

Bachelor's degree recipients age 25 to 34 had median earnings 71% (\$19,497) higher than those with high school diplomas in 2016.<sup>1</sup>

*Education is not the filling of a pail, but the lighting of a fire.*

~ William Butler Yeats

<sup>1</sup> U.S. Census Bureau, 2016 Income Data, Table PINC-03

# program overview

- Current College Environment
- Sources of College Funding
- Education Planning Options
- Next Steps
- AXA Achievement<sup>SM</sup>



# higher education — competitive landscape

In fall 2017, some 20.4 million students are expected to attend American colleges and universities.<sup>1</sup>

72% of all undergraduates received some type of financial aid. 63% received grants, 38% took out student loans, 5% received aid through work-study programs, 3% received federal veterans' education benefits, and 4% had parents who took out federal Direct PLUS Loans.<sup>2</sup>

**Note:** Includes enrollment in undergraduate, graduate and first-professional degree-granting institutions.

<sup>1</sup> U.S. Dept. of Education, NCES 2016

<sup>2</sup> U.S. Department of Education, Institute of Education Sciences, National Center for Education Statistics 2015–16 National Postsecondary Student Aid Study (NPSAS:16)

...higher costs

costs

**Average Published Tuition and Fee Charges  
1997-1998 to 2017-2018<sup>1</sup>**

Academic Year	Private Four-Year	Public Four-Year
1997-1998	\$21,020	\$4,740
2007-2008	\$27,520	\$7,280
2017-2018	\$34,740	\$9,970

**Note:** Tuition and fees adjusted for inflation. Excludes other college costs such as room and board, books, etc.

<sup>1</sup> College Board, Trends in College Pricing 2017.

# college funding: a reality check

## ■ Inflation

- Between 2007-08 and 2017-18, published in-state tuition and fees at public four-year institutions increased at an average rate of 3.2% per year beyond inflation.<sup>1</sup>

## ■ Scholarships

- In the 2016-17 academic year, only 6% of undergraduates received privately-funded and employer scholarships.<sup>2</sup>

## ■ Grants and Loans

- In 2016-17, undergraduate and graduate students received a total of \$239.1 billion in student aid in the form of grants from all sources, Federal Work-Study, federal loans, and federal tax credits and deductions.<sup>2</sup>
- In 2015-16 and 2016-17, loans from federal and nonfederal sources combined constituted 36% of the funds used by undergraduates to supplement student and family resources.<sup>2</sup>

<sup>1</sup> College Board Advocacy & Policy Center, *Trends in College Pricing 2017*.

<sup>2</sup> College Board Advocacy & Policy Center, *Trends in Student Aid 2017*

# useful planning tips:

## tips

### ■ Savings

- Consider tax-advantaged and higher interest-bearing options.

### ■ Scholarships

- View scholarships as a nice bonus! Don't count on them for funding.

### ■ Grants

- In 2015-16, 47% of Pell Grant recipients were dependent students. Seventy-three percent of this group came from families with incomes below \$40,000.<sup>1</sup>
- The maximum Pell Grant for the 2017-2018 school year is \$5,920.<sup>2</sup>

### ■ Loans

- Consider loans after all other funding sources have been exhausted.

<sup>1</sup> Pell Grant eligibility is based on financial need. Although students with family incomes up to \$50,000 may be eligible, most awards go to students with family incomes below \$20,000.

<sup>2</sup> *Federal Pell Grant*. Available at: <http://studentaid.ed.gov>

# education planning options

## ■ UGMA/UTMA

- A custodial account that allows minors to “own” securities.

## ■ Coverdell Education Savings Account

- A tax-advantaged investment account (formerly known as Education IRAs).

## ■ 529 Plans

- State-operated investment plans that allow federal tax free savings for college.

# UGMA/UTMA

## UGMA/UTMA

### ■ Advantages

- No income limits
- Custodian has direct investment decisions

### ■ Limitations

- Minor gains control of funds at age of majority
- Contributions are not tax-deductible

### ■ Effects on Financial Aid

- Treated as student's assets

### ■ Effects on Estate

- Included in custodian's estate if death occurs before beneficiary reaches age of majority

# coverdell education savings accounts

## ■ Advantages

- Tax-free accumulation and withdrawals if used for eligible education expenses
- Control over investment decisions
- Can be used for elementary, secondary, and postsecondary education expenses

## ■ Limitations

- \$2,000 per year contribution limit (for 2018)
- Income limits
- Must be used or rolled-over to another beneficiary by age 30

## ■ Effects on Financial Aid

- A Qualified tuition program is treated as the owner's assets, except when the owner is a dependent student, in which case it is a parental asset <sup>1</sup>

## ■ Effects on Estate

- Contributions are completed gifts and are removed from owner's estate

<sup>1</sup> Federal Student Aid Handbook 2014-2015

# 529 plans

## ■ Advantages

- Federal tax-free withdrawals for educational expenses
- No income limits; higher contribution amounts than UTMA or Coverdell ESA for gift tax purposes

## ■ Limitations

- Limited investment options
- Professionally managed — less direct investment control
- Generally higher fees than other options

## ■ Effects on Financial Aid

- A Qualified tuition program is treated as the owner's assets, except when the owner is a dependent student, in which case it is a parental asset <sup>1</sup>

## ■ Effects on Estate

- Considered completed gifts and excluded from estate

<sup>1</sup> Federal Student Aid Handbook 2017-2018

# 529 plans

## 529 plans

### Additional Advantages

- **Control** — Contributor maintains control over disbursement of funds.
- **Choice** — Funds can be used at any accredited institution.
- **Flexibility** — Excess funds can be redirected to other family beneficiaries for education purposes.
- **Easy to Start** — Most offer low minimum investments.
- **Professional Management** — Investments can be chosen based on risk tolerance or “age banding.”

# fees & related considerations of 529 plans

## 529 plans Fees & Expenses

- Enrollment, administrative and/or management fees may apply

## Other Considerations

- HOPE Scholarship & Lifetime Learning Credit
- Withdrawals from 529s and CSAs
- State tax and other potential tax penalties

*Investors should consider the investment objectives, risks, charges, and expenses of 529 plans carefully before purchasing. More information about 529 plans can be found in the issuer's official statement, which can be obtained from your financial professional. Please read the official Statement carefully before investing.*

# types of 529 plans

## 529 plans

### Prepaid Tuition Plans

- Less risk – locks in prices
- Account growth is linked to the state's tuition inflation
- Cover tuition and mandatory fees only

### Special gift and estate tax treatment

Contributions free from gift tax up to the allowable amount — \$15,000 per year (as of 2018).

### College Savings Plans

- More risk – More potential for growth
- Account growth is determined by investment performance
- Cover all “qualified higher education expenses,” including: tuition, room & board, mandatory fees, books, computers (if required)

# review

## review

### Things to Consider

- Plan ahead — prices keep rising
- Keep a realistic view of loans and “free money”
- Examine the effects of your plan on your estate, potential financial aid, and taxes
- Develop a plan based on your specific situation

# planning to pay for college

## pay for college

- Financial Aid?
- Scholarship?
- Grant or any other financial award?
- Part time job?
- Plan and fund NOW:
  - At the very worst, you will have too much

# next steps

- Get started on a college funding plan, or re-examine your current strategy.
- Prioritize and manage your complete financial goals, not just college funding.
- **Take the first step...**seek professional guidance to help you evaluate your options.

# benefits of using a financial professional

## benefits

- Experience
- Reassurance — cool head
- Resources
- Big picture
- Time savings for you
- Less stress



# AXA Achievement<sup>sm</sup>

Through AXA Achievement<sup>sm</sup>, AXA Equitable Life Insurance Company (New York, NY) is one of the nation's largest corporate providers of scholarships

## mission

- **Mission:** To provide resources that help make college possible
  - **Access:** More than \$1.4 million a year in scholarships
  - **Advice:** A comprehensive resource for information to help students and parents plan for college
- Visit [www.axa-achievement.com](http://www.axa-achievement.com)



AXA Achievement<sup>sm</sup> is funded by the AXA Foundation, the philanthropic arm of AXA Equitable.

college funding...

# college funding

- **Your role:**

- Know your goals.
- Know where you stand on achieving them.
- Be willing to act.

- **Our role:**

- To help you implement strategies that move you closer to achieving financial success.

# important notes

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