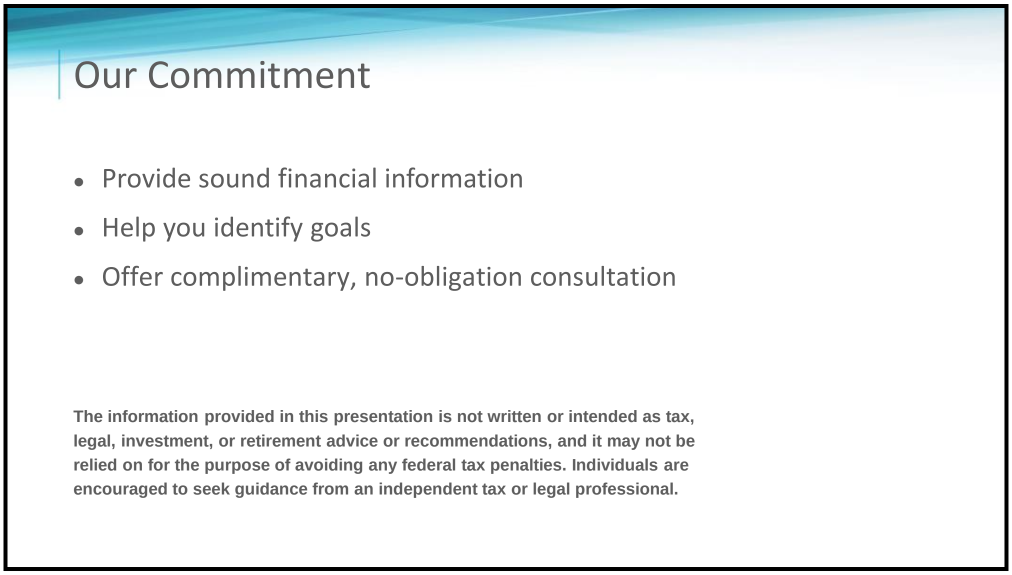
Welcome to our college funding seminar: investing in your children's future. We're glad that you could join us here today.

Before we get started, I'd like to introduce myself and my company.

[Note to presenter: Give a brief personal background, then talk about your organization and give its location. If appropriate, introduce other members of your organization who are in the room and discuss any housekeeping issues.]



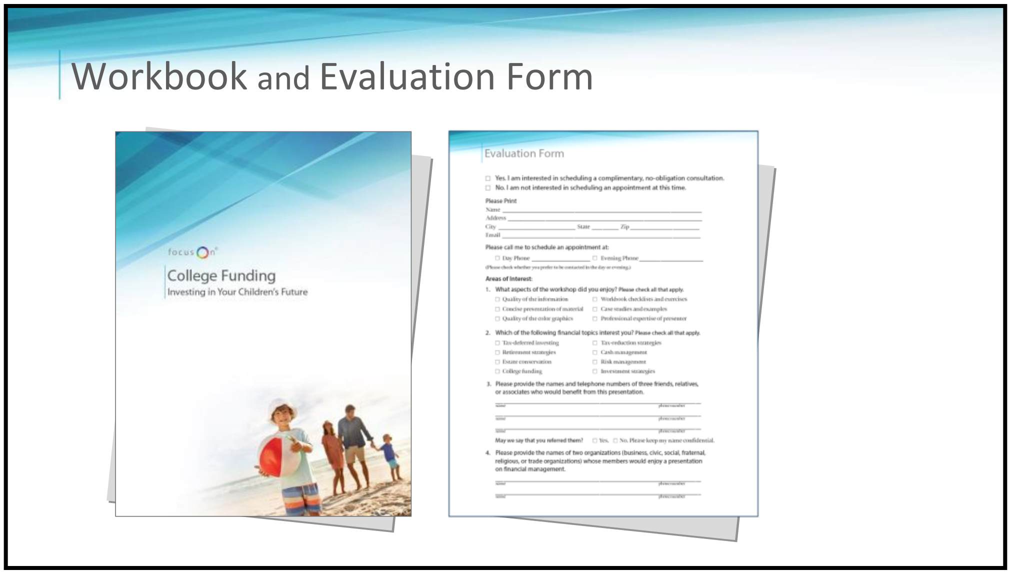
We use seminars like this one to introduce ourselves and to develop strong working relationships with members of the community like you.

Our commitment extends beyond simply offering financial services. We are committed to helping you evaluate your financial situation and giving you tools to help make informed decisions and pursue your financial goals.

We hope that after attending the seminar, you'll want to meet with us in our office. This is a complimentary, no-obligation consultation that we offer to everyone who attends our seminars. During that meeting, we can discuss any questions you have as a result of what we discuss here. If you prefer, we can use that time to examine your specific situation and begin the process of helping you formulate a financial strategy that will suit your needs.

We know that we'll establish a working relationship with you only when *you* are confident that we can be of service. We want you to understand your options and to know how you may benefit from working with us.

The information in this presentation is not written or intended as tax, legal, investment, or retirement advice or recommendations, and it may not be relied on for the purpose of avoiding any federal tax penalties. You are encouraged to seek guidance from an independent tax or legal professional based on your individual circumstances.



Let's talk about the workbook you received as you entered.

We've found that people are more likely to remember something they act on rather than something they only hear about. That's why we designed this workbook so you can apply what you learn to your situation. In it you'll find helpful materials that reinforce the seminar's major points and will be a valuable resource for you.

Feel free to highlight, underline, or make notes in whatever way serves you best.

Inside your workbook, you'll find an evaluation form just like this one.

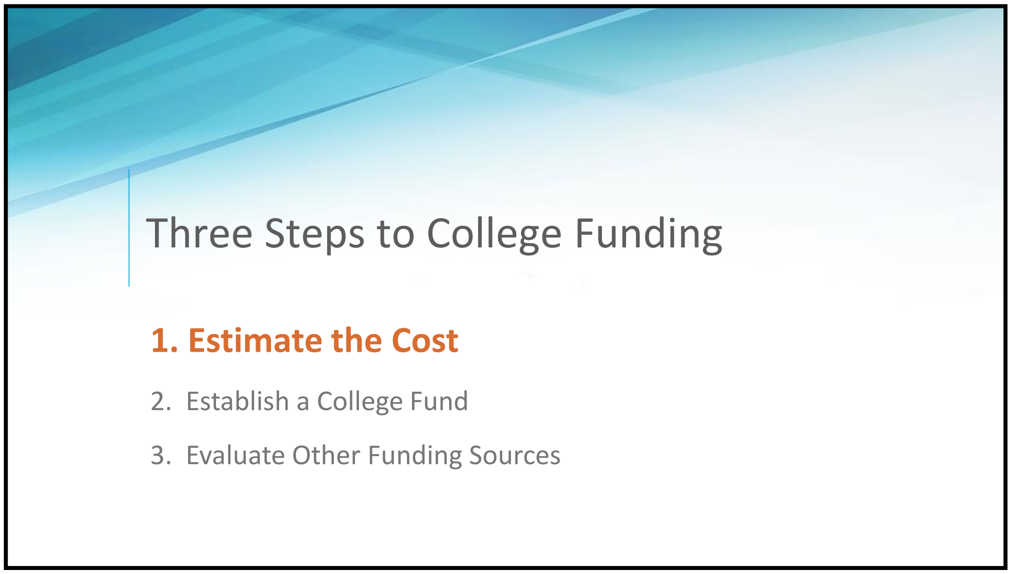
[Note to presenter: Pull out an evaluation form for your seminar participants to see.]

At the end of the presentation, please use this form to tell us whether you're interested in taking advantage of the complimentary, no-obligation consultation.

We'd like to make you two promises concerning this form. First, if you check "Yes, I am interested in scheduling a complimentary, no-obligation consultation," we'll call you in the next couple of days and set up an appointment. Second, if you check "No, I am not interested in scheduling an appointment at this time," we won't call you directly after the seminar.

In exchange for these two promises to you, please promise that you will fill out this form. Many seminar attendees do come in for a consultation, so we've set aside time just to meet with you.

When you do come to our office, feel free to leave your checkbook at home. We are very interested in developing working relationships with you, but that decision is yours.



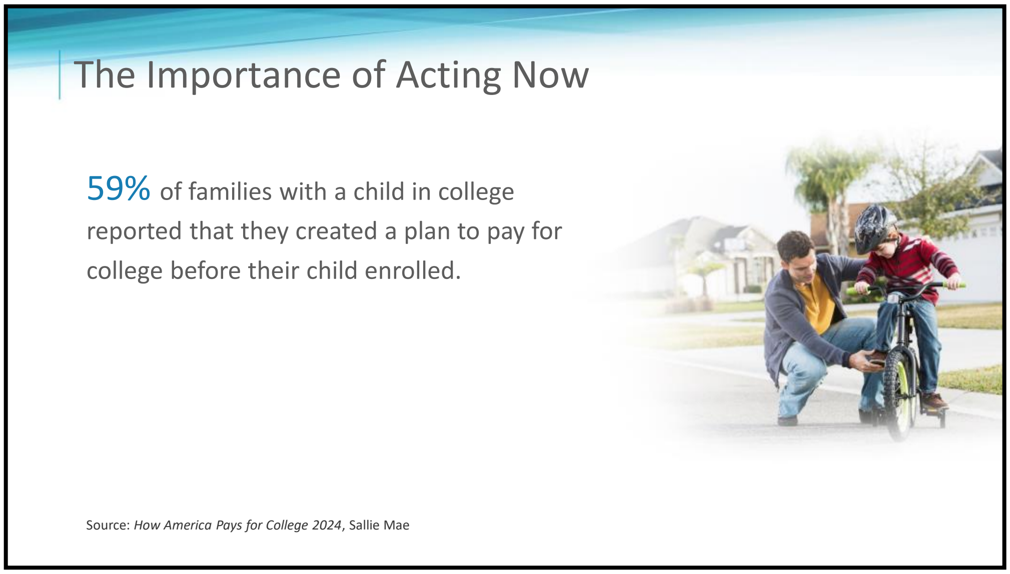
Now let's get started.

During this presentation, we're going to focus on three steps for funding your child's college education.

We'll start by estimating the cost. If you have a goal to work toward, you can be more successful in reaching it.

Next, we'll review various college savings options that you can use when establishing a college fund.

Then we'll evaluate additional funding sources — some of which you may already be aware, as well as others you might not have considered.

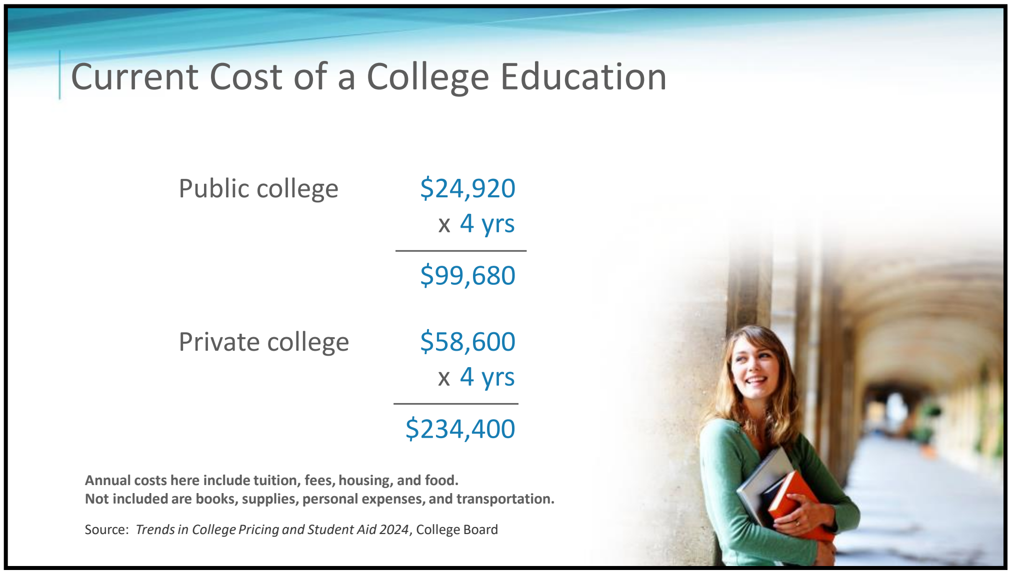


If I can impress upon you one thing during this presentation, it is the importance of acting now.

More than half of parents with a child in college reported that they created a plan to pay for college before their child enrolled.

Parents who are preparing for future college costs are much more likely to feel confident that they will be able to meet the costs compared with parents who are not saving or preparing.

Source: *How America Pays for College 2024*, Sallie Mae



Here’s why preparing now for your child’s college education is so important. Many parents don’t realize that the average total cost for four years at an in-state public college is almost $100,000. That’s right — $100,000.[1]

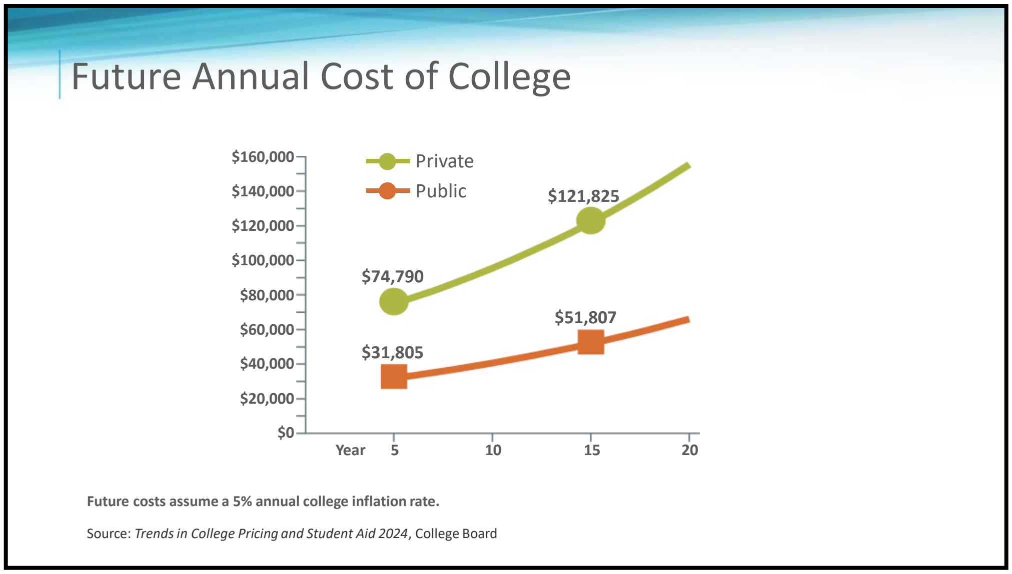
For the 2024–2025 academic year, the average cost at a four-year public college is $24,920. This number is for state residents; the cost for out-of-state students is higher.

Private schools are even more expensive. The average annual cost at a four-year private college in 2024–2025 is $58,600, bringing the total four-year cost to over $234,000. Many private colleges cost significantly more. These figures include the direct costs of tuition, fees, housing, and food. They don’t include the indirect costs of books, personal expenses, and transportation.

And unfortunately, the four-year costs shown here will likely be even higher in the future because they don’t reflect college inflation.

[Note to presenter: You should know the current costs of the major colleges and universities in your area and state and be able to compare them to these numbers when appropriate.]

Source: *Trends in College Pricing and Student Aid 2024,* College Board

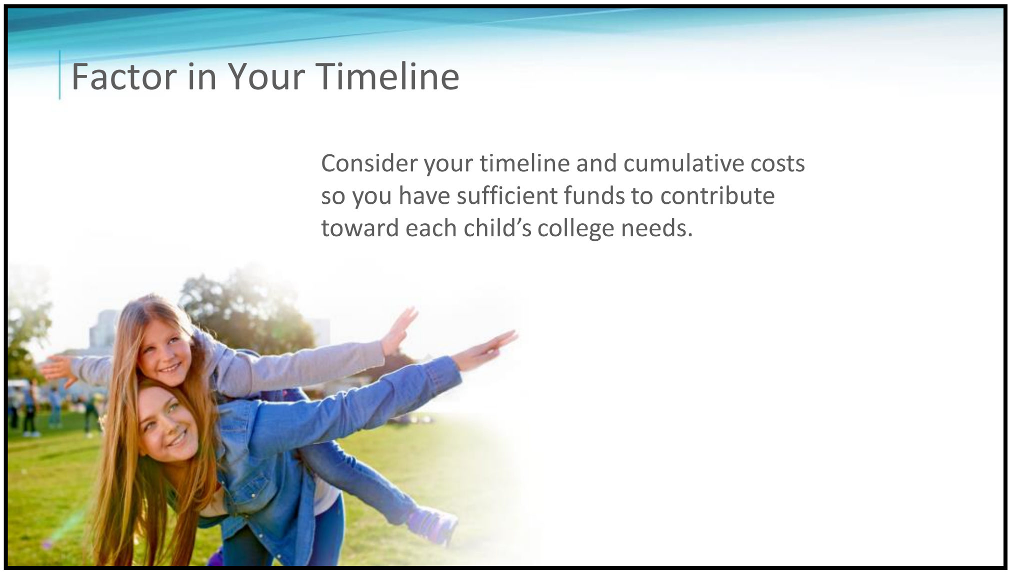


Many people don't realize the impact that college inflation can have on overall costs. Historically, annual college inflation has typically outpaced general inflation, as measured by the Consumer Price Index.

If college inflation grows by a rate of 5% each year, in five years the average annual cost for a public college could be over $31,000 and for a private college close to $75,000.

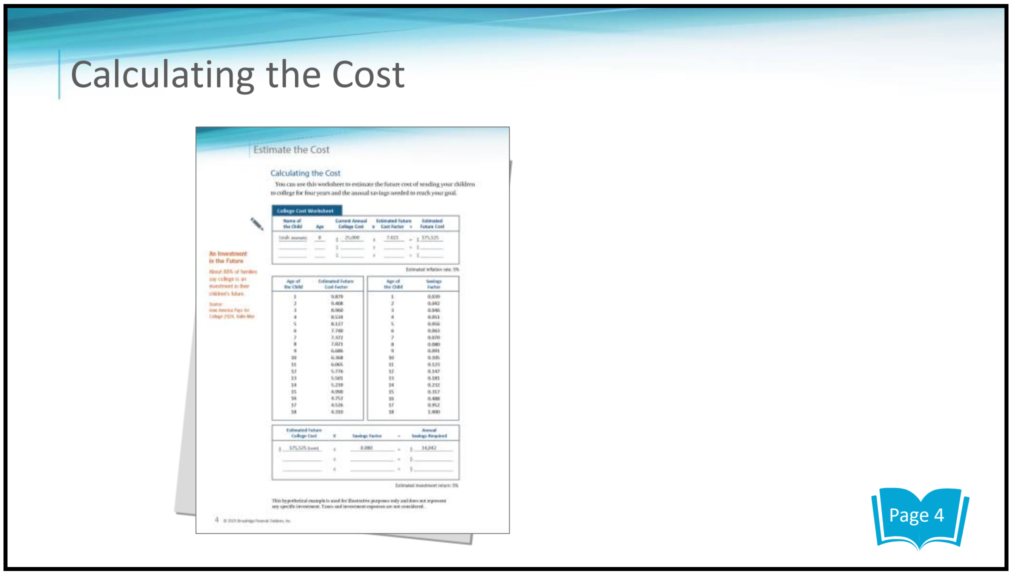
Looking 15 years out and using the same assumptions, the average annual cost for a public college could be over $51,000, and for a private college it could be over $121,000!

Source*: Trends in College Pricing and Student Aid 2024*, College Board



As you estimate future costs, you'll need to consider your timeline. How many years remain before you will need money for your oldest child's first year of college? If you have more than one child, will you have two or more children in college at the same time?

Determine your timeline and cumulative costs so you can establish a college funding goal for each child.



The College Cost Worksheet on page 4 can be used to estimate the future cost of sending your child or children to college for four years and to help you calculate how much you need to save each year.

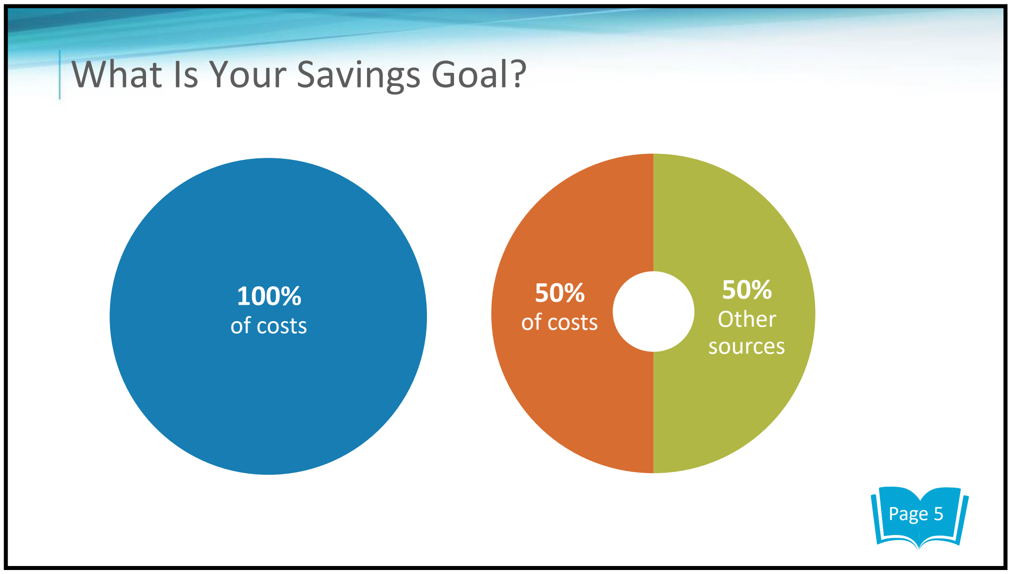
[Note to presenter: Pause to give participants sufficient time to locate the workbook exercise, then walk through the hypothetical example with attendees.]

Let’s go through a hypothetical example to see how the worksheet works. We’ll assume that a couple’s child, Leah, is **8 years old** and will start college in 10 years.

The current annual cost of the college the parents would like Leah to attend is **$25,000**. To determine the potential future cost, look at the table below on the left side. The estimated future cost factor for an eight-year-old is **7.021**. *(The future cost factor is based on a 5% inflation rate.)* Multiplying the current annual cost for the college Leah might attend ($25,000) by the estimated future cost factor (7.021) results in an estimated future cost of **$175,525** for four years of college.

We enter the $175,525 estimated college cost in the first space below and look up the savings factor for an eight-year-old in the Savings Factor table. *(The savings factor is based on a hypothetical 5% annual return.)* Multiplying the **0.080** savings factor for an eight-year-old by the family’s estimated future college cost ($175,525) equals **$14,042**, which is the amount the couple must save annually until Leah enters college.

This hypothetical example is used for illustrative purposes only. Actual college costs, inflation rates, and investment performance will vary.

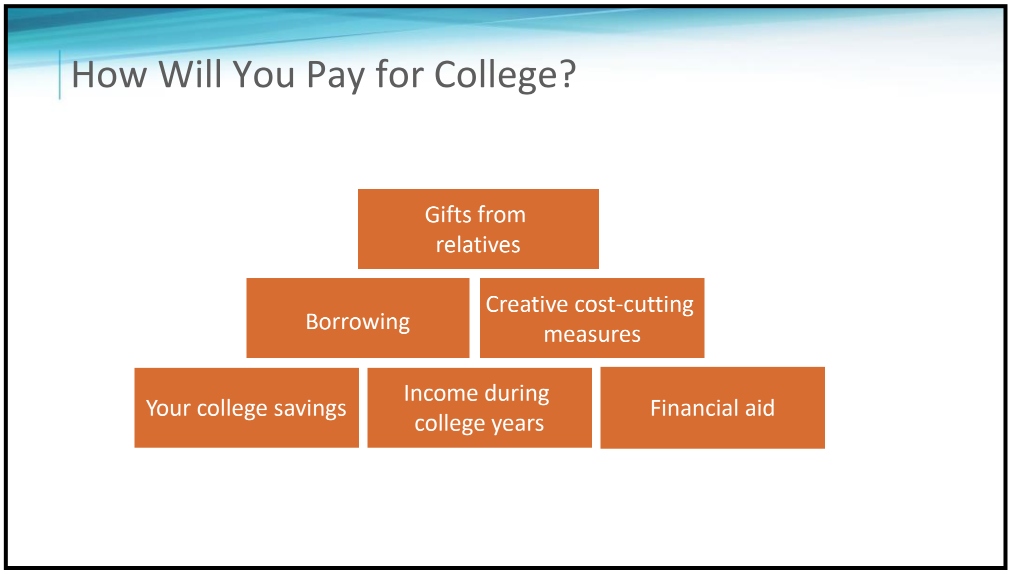


So now that you have an understanding of the costs you might be facing, what is your savings goal?

Are you hoping to fund 100% of your child's college education? Or do you expect to pay a slice of the total costs?

On page 5 in your workbook, you can write down your college savings contribution goal. Place a check mark next to your target: 25%, 50%, 75%, 100% (or other).

Not all parents expect to pay — or can afford to pay — the entire amount of their child's college costs. Think of your college savings as a down payment on the total cost, similar to a down payment on a home. A good benchmark is to aim to save at least 50% of your child's projected college costs. Then at college time, you can supplement this savings with other funding sources.



Think of your college savings as just one piece of the college financing puzzle.

In addition to your savings, some of your child's college costs are likely to be covered by:

- Your income during the college years, plus any income your child might earn from a part-time job
- Financial aid, which can include student loans as well as grant or scholarship aid from the college
- Borrowing during the college years
- Creative cost-cutting measures, such as having your child attend a lower cost community college for two years before transferring to a four-year school; choosing an accelerated program where your child can graduate in less than four years; encouraging your child to become a resident assistant to earn free housing; or researching schools abroad, where costs are generally lower

And perhaps, if you're lucky:

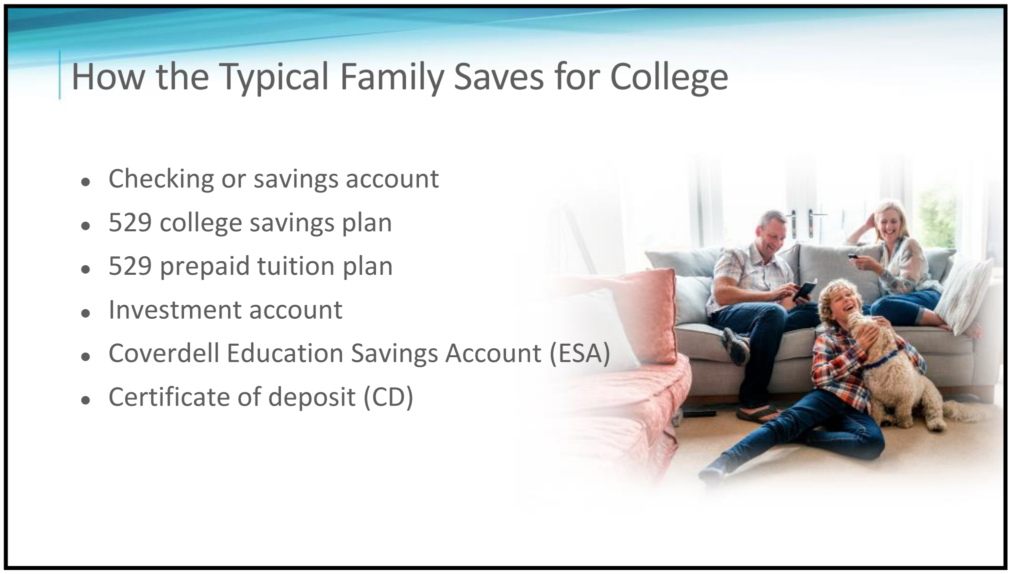
- Generous gifts from grandparents or other relatives

Even though these potential resources are off in the future, knowing about them now might help you feel better as you build your college fund.

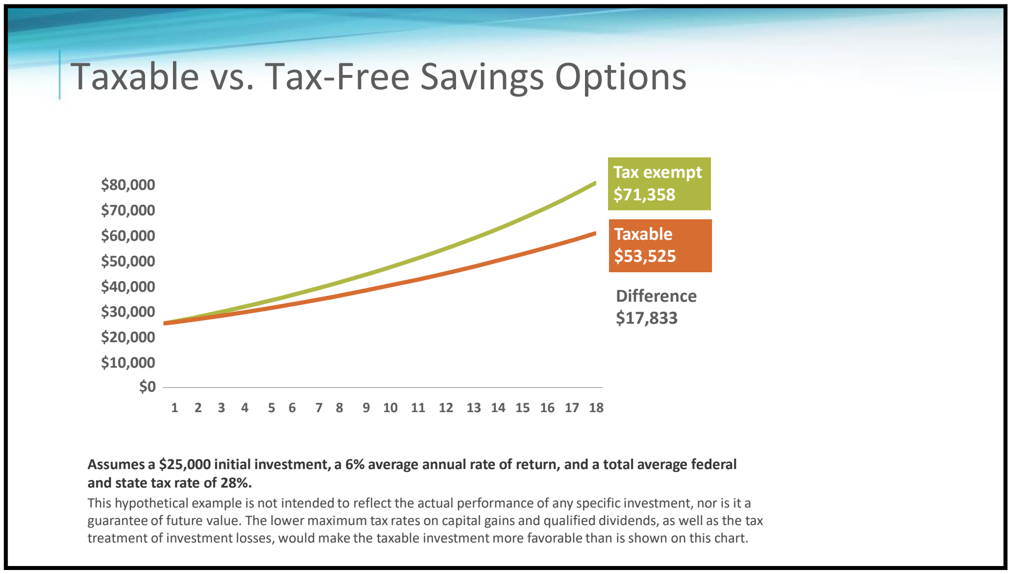
The important takeaway here is that your college savings are the cornerstone of any successful college financing plan.

Now let's turn our attention to establishing a college fund.

We'll look at several college savings options, consider the difference between taxable and tax-free accounts, and see how making a consistent commitment to save can add up over time.



A typical family might use a variety of ways to save for college, including a regular checking or savings account; a 529 college savings plan or prepaid tuition plan; an investment account, such as a brokerage account that holds stocks, mutual funds, or exchange-traded funds; a Coverdell education savings account; a certificate of deposit, or some other way. Some of these options are specifically designed for college savings, while others are general ways to save.

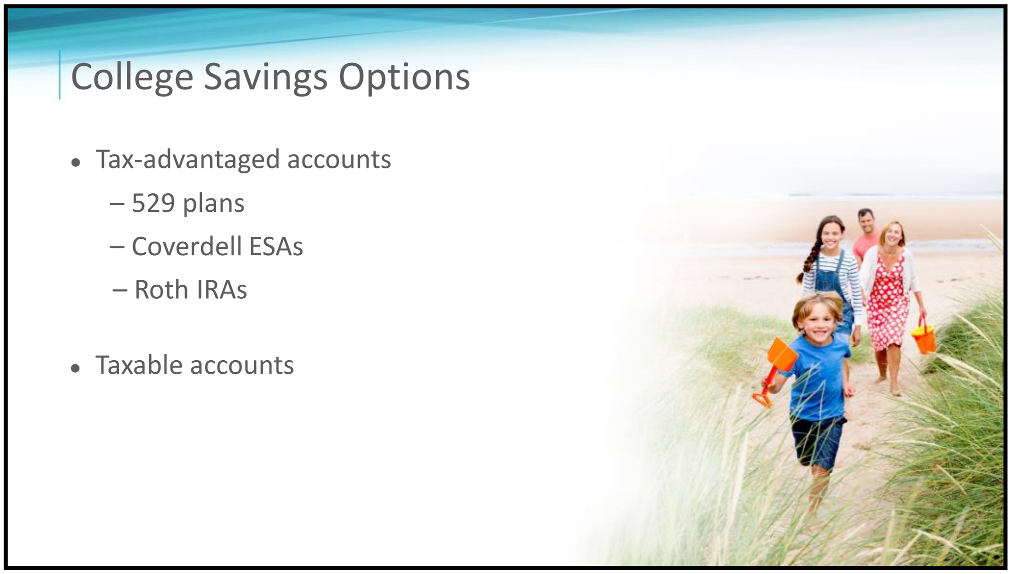


But not all college savings options are created equal. This chart shows the impact that taxes can have on your savings.

For example, assume the orange line represents a taxable investment, such as a mutual fund held in a brokerage account, while the green line is a tax-free investment, such as a 529 plan. Then let's assume an initial investment of $25,000 when a child is born, a 6% average annual rate of return, and a total average federal and state tax rate of 28%.

Over 18 years, that $25,000 in your taxable mutual fund would have grown to $53,525, while the same amount in your 529 plan would have grown to $71,358 — a difference of over $17,000. That's a lot of money for doing nothing other than saving in one account versus another.

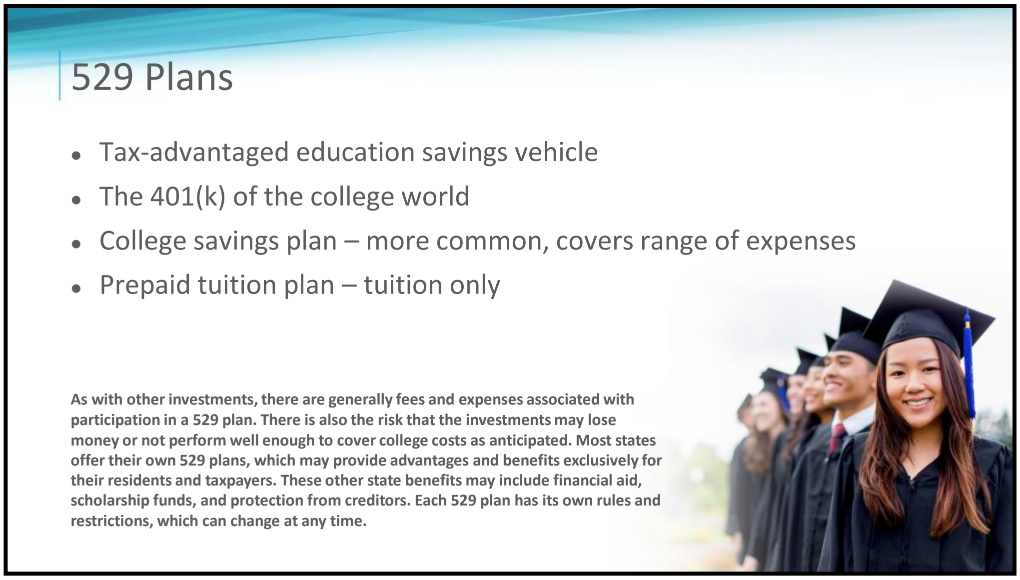
This is why it's smart to consider tax-advantaged options when saving for college. Why give money to Uncle Sam when you need every penny for college?



Examples of tax-advantaged college savings options that we'll talk about today include 529 plans, Coverdell Education Savings Accounts, and Roth IRAs, although Roth IRAs are primarily a retirement savings tool.

We'll also look at taxable accounts.

Let's start with 529 plans first because they can be an excellent way to build your college fund.



A 529 plan is a tax-advantaged savings vehicle specifically geared toward education. 529 plans were created by Congress in 1996, and since that time they have revolutionized the way families save for college, much the same way 401(k) plans revolutionized the world of retirement savings.

The name comes from the section of the Internal Revenue Code — Section 529 — that gave states the authority to establish these plans. It's up to each state to decide whether it will offer a 529 plan (or possibly more than one) and what it will look like.

There are actually two types of 529 plans: the more common **college savings plan** and the less common **prepaid tuition plan**.

A college savings plan is an individual investment-type account, similar to a 401(k) plan. Here's how it works: You open an account, name a beneficiary (for example, your child or grandchild), and select your investment options much the same way you would with a retirement plan. Then you contribute money — monthly, quarterly, yearly, however you want. At college time, money in the account can be withdrawn tax-free to pay the beneficiary's college expenses, which include tuition, fees, room and board, books, supplies, and computer equipment, at any accredited college in the United States or abroad, including graduate school. Funds in a college savings plan can also be used to cover fees, books, supplies, and equipment for certified apprenticeship programs; up to $10,000 per year for K-12 tuition expenses; and up to a $10,000 lifetime limit for student loan repayment on qualified education loans for the 529 plan beneficiary (and an additional $10,000 to satisfy outstanding student debt for each of the plan beneficiary's siblings).

Nearly every state offers a 529 college savings plan, and you can join any state's plan. It's a good idea to look first at your own state's college savings plan, because some states offer tax benefits to plan participants and make those benefits contingent on joining the in-state plan. However, you might decide to join another state's plan if you like the variety of investment options offered or the track record of the institutional money manager. Or maybe you just like the ease of navigating the other plan's website or its customer service.

A prepaid tuition plan, on the other hand, lets you lock in today's tuition prices for use in the future through the purchase of tuition credits or units. A prepaid tuition plan is primarily meant for use at in-state public colleges, and as the name implies, it covers tuition only. Only a handful of states offer prepaid tuition plans, and you are limited to your own state's plan.

[Note to presenter: Share whether your state offers a 529 plan and provide details, if possible.]

As with other investments, there are generally fees and expenses associated with participation in a 529 plan. There is also the risk that the investments may lose money or not perform well enough to cover college costs as anticipated. Most states offer their own 529 plans, which may provide advantages and benefits exclusively for their residents and taxpayers. These other state benefits may include financial aid, scholarship funds, and protection from creditors. Each 529 plan has its own rules and restrictions, which can change at any time.

The rest of our discussion will focus on 529 college savings plans because they are much more common and offer the greatest flexibility.

The biggest advantage of 529 plans is their tax treatment. Funds in a 529 plan accumulate tax deferred, which means that any earnings in the account will be untaxed for as long as the funds stay in your account. Then at college time, those earnings will be tax-free at the federal level, and typically at the state level, when withdrawn to pay the beneficiary's qualified education expenses. This opportunity for tax savings puts you ahead of where you would be if you saved in a taxable account such as a brokerage account, where your earnings would be taxed every year and then again when you sold the underlying investments.

Another benefit of 529 plans is their high lifetime contribution limits, typically $400,000 and up. (The exact limit depends on the state.) So, if you happen to have a lot of money to contribute, or you have generous family members who do, there's a lot of room there.

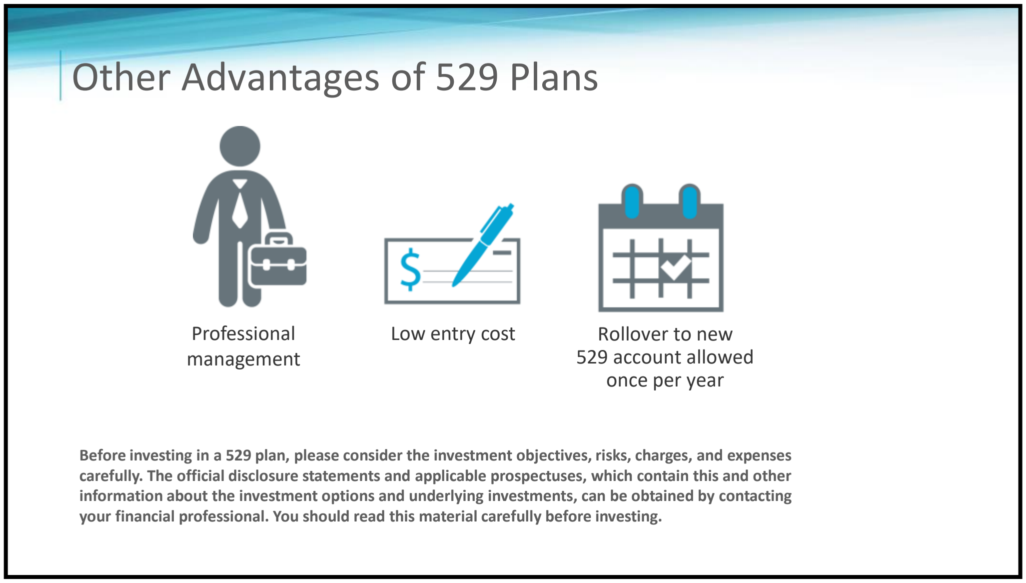
In fact, under special rules unique to 529 plans, you (or anyone) can make a lump-sum gift to a 529 plan of up to five times the annual gift tax exclusion amount — which in 2025 is $95,000 for individual gifts and $190,000 for joint gifts — without triggering gift tax if certain requirements are met. This is a great opportunity for parents or grandparents who are able to make large contributions.

There are no income or age restrictions for participation in a 529 plan — anyone can open an account. And as account owner, you maintain control over the disbursement of funds and manage how they will be used. For example, if the original beneficiary doesn't attend college or doesn't need the funds, you can change the beneficiary to another qualified family member (that means someone who is within the immediate family of the original beneficiary).

But college savings plans have some disadvantages. One disadvantage is that you are limited to the investment portfolios offered by the individual plan. Most plans offer a variety of investment options that range from aggressive to conservative and vary in their amount of risk. (Each investment portfolio typically consists of groups of mutual funds.) But returns aren't guaranteed. If you're unhappy with the market performance of the investment portfolios you've chosen, you can generally change the investment options for your existing contributions only twice per year. That's different from changing the investment options for your *future* contributions, which you can generally do at any time.

Another disadvantage is that if you don't use funds in the account for the beneficiary's qualified education expenses, you will be penalized — the earnings portion of any nonqualified withdrawal is subject to federal and state income taxes and a 10% federal income tax penalty.

And 529 plans are subject to market risk. As I just mentioned, your returns aren't guaranteed, and your investments may lose money or may not perform well enough to cover college costs as anticipated. There are also fees and expenses associated with participation in a 529 college savings plan. But this is true of brokerage accounts, too.



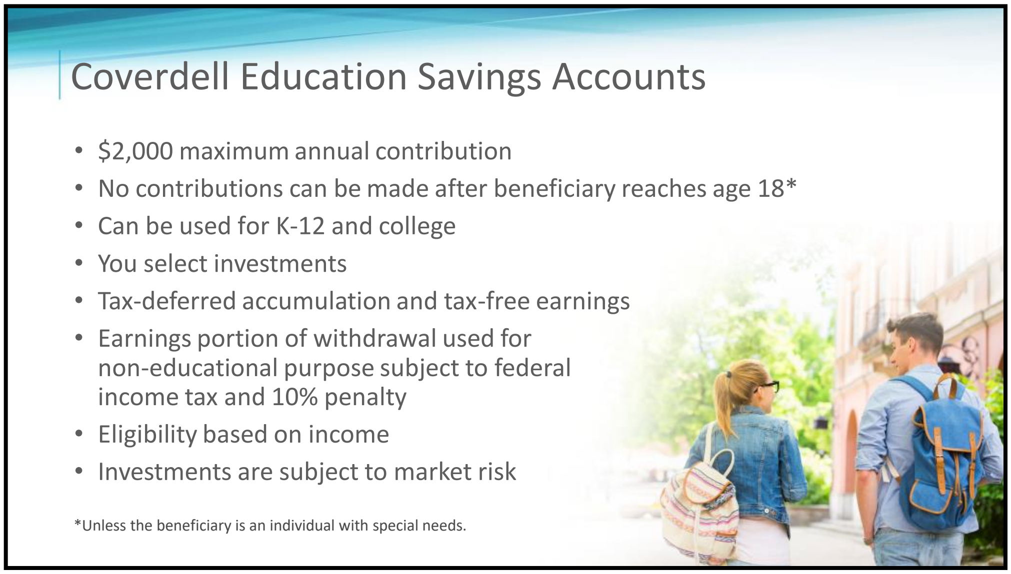
On balance, though, 529 plans offer some other advantages that make them a convenient way to start building a college fund.

They offer professional management. Most states hire institutional investment firms to oversee plan investments and manage assets. This can be attractive if you don't want to select or manage investments yourself. Also, most plans offer age-based investment portfolios that automatically become more conservative as the beneficiary gets closer to college, similar to the way a target-date mutual fund works for retirement. This "glide path" from less conservative to more conservative investments over time is managed by the plan's professional manager and takes the guesswork out of doing this yourself.

Another benefit of 529 plans is their low entry cost. Most plans require a nominal minimum contribution to open an account — $250, for example. And many plans waive this initial contribution requirement if you set up recurring monthly electronic fund transfers from your bank account, some for as little as $25 per month. So it's very easy to open a 529 account and put your savings effort on autopilot. You can then increase or decrease your contributions going forward as you wish.

Finally, if you're unhappy with your 529 plan for any reason, you can roll over your account to a different 529 plan once every 12 months without triggering any taxes or penalties.

Before investing in a 529 plan, please consider the investment objectives, risks, charges, and expenses carefully. The official disclosure statements and applicable prospectuses, which contain this and other information about the investment options and underlying investments, can be obtained by contacting your financial professional. You should read this material carefully before investing.



Now let's look at another tax-advantaged college savings option: the Coverdell Education Savings Account, or ESA for short. A Coverdell ESA is similar to a 529 plan, but there are some major differences.

A Coverdell ESA lets you contribute up to $2,000 per year for your child's elementary, secondary, or college expenses. This $2,000 annual limit applies *regardless* of how many accounts have been set up for your child or how many relatives are contributing for that child — the total annual limit per child is $2,000, but no additional contributions can be made after the beneficiary reaches age 18.

You open a Coverdell ESA at a bank or other financial institution. Some institutions may charge a fee for opening and/or maintaining the account. You are the account owner and your child is the beneficiary.

Unlike with a 529 plan, you select the investments to hold in the Coverdell account. You can choose mutual funds, stocks, bonds, exchange-traded funds (ETFs), and so on. So you have much more investment flexibility with a Coverdell ESA than you do with a 529 plan. On the flip side, some of you may not want the responsibility for choosing and managing the investments in the account.

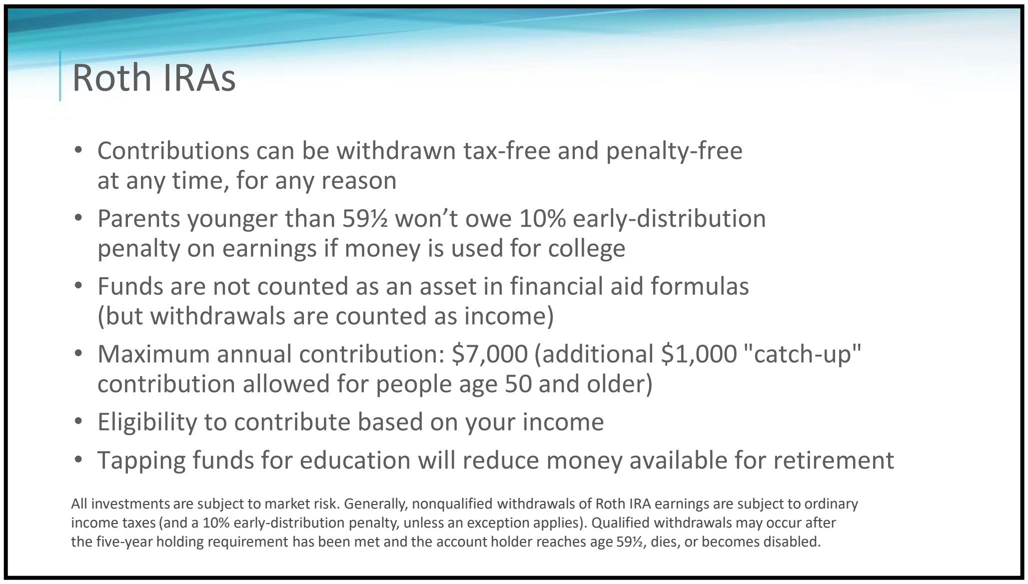
Funds in a Coverdell account accumulate tax deferred, similar to a 529 plan, and the earnings portion of any withdrawal is tax-free at the federal level (and typically at the state level) when funds are used to pay the beneficiary's qualified education expenses. For any withdrawal not used for a qualified education expense, the earnings portion will be subject to federal income tax (and possibly state income tax) and a 10% federal tax penalty.

Not everyone can open a Coverdell ESA. To be eligible to make the full $2,000 contribution in 2025, your adjusted gross income (AGI) must be under $95,000 if you are filing single and under $190,000 if you are married filing jointly. A partial contribution is allowed if your AGI is slightly above these levels. Investments in a Coverdell ESA are subject to market risk. There are no investment guarantees, and you could lose money.

Also, a note for down the road: If a Coverdell account has a balance when the beneficiary reaches age 30, the money must be withdrawn and distributed to the beneficiary, and taxes and a penalty will be owed on the earnings at that time. The 30-year age limit does not apply to beneficiaries with special needs.

The overall takeaway here is that even though a Coverdell ESA offers tax advantages and the ability to choose your own investments, the $2,000 annual contribution limit means that it probably won't be sufficient as a standalone college savings strategy. But it might be helpful in combination with other savings strategies.

As with other investments, there are generally fees and expenses associated with participation in a Coverdell ESA. There is also the risk that the plan investments may lose money or not perform well enough to cover college costs as anticipated. Nonqualified withdrawals are subject to federal and state income taxes and a 10% income tax penalty.



Let's look at one more potential tax-advantaged savings option: a Roth IRA. Most people think of a Roth IRA as a powerful retirement savings vehicle, but it can also be a way to save for college. Why is that? Well, your *contributions* to a Roth IRA can *always* be withdrawn tax-free and penalty-free at any time and for any reason. That's because contributions to a Roth IRA are made with after-tax dollars. So you have flexibility there if you need the funds. And once you turn age 59½, you can generally withdraw your *earnings* tax-free and penalty-free for any reason as long as the five-year holding requirement has been met.

But let's pretend you are not yet 59½. Typically, if you make a withdrawal from a Roth IRA before age 59½, you will owe a 10% early-distribution penalty on the *earnings* portion of the withdrawal. Remember, your *contributions* can be withdrawn at any time tax-free and penalty-free, but here I'm talking about your earnings. Essentially, Uncle Sam is trying to discourage withdrawals before retirement age. But there's an exception to this penalty for college. So if you are younger than 59½ and you make a withdrawal from your Roth IRA to pay your child's college expenses, the 10% penalty is waived. However, you will still owe income tax on those earnings.

Another advantage of Roth IRAs as a college funding tool is that retirement accounts are not counted as an asset in the federal or college financial aid formulas. This means your retirement balances will have zero impact on your child's financial aid award. (However, any *withdrawals* from your Roth IRA will count toward your income for financial aid purposes.)

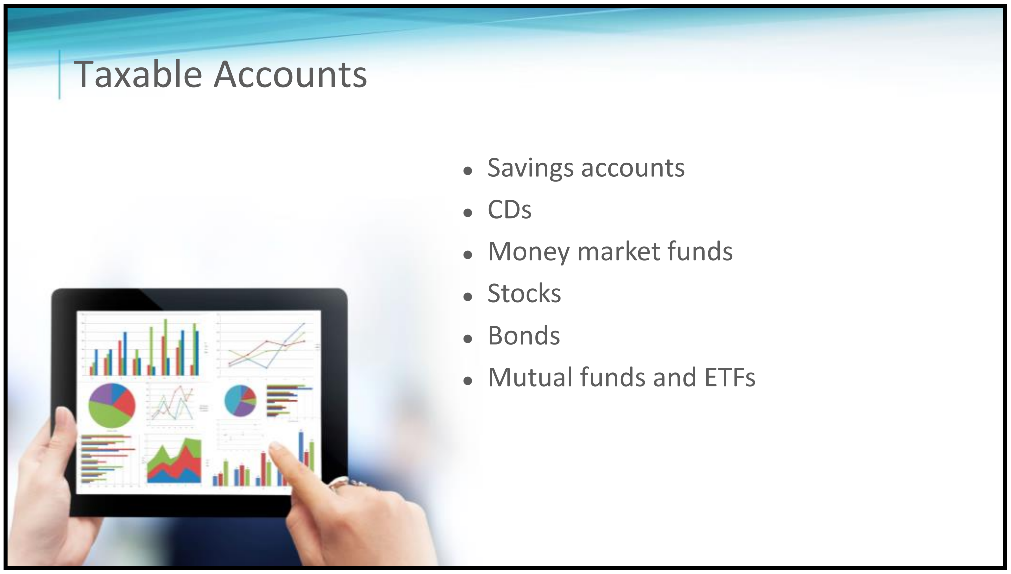
The maximum amount that can be contributed to a Roth IRA in 2025 is $7,000 (an additional $1,000 "catch-up" contribution is allowed for people age 50 and older). This is higher than a Coverdell ESA but much lower than a 529 plan. This annual limit is for traditional and Roth IRAs combined.

However, not everyone can contribute to a Roth IRA. Your ability to contribute is based on your modified adjusted gross income (MAGI). In 2025, to make the full contribution, your MAGI must be $150,000 or less for a single filer or $236,000 or less for a married couple filing jointly. A partial contribution is allowed for single filers with MAGIs between $150,000 and $165,000, and for joint filers with MAGIs between $236,000 and $246,000.

Using Roth funds for college means you will have less money available for retirement. In that case, consider saving for retirement in other tax-deferred accounts, such as a 401(k).

Of course, you will need to select which investments to hold in your Roth IRA, just as you would with a Coverdell ESA. That might be welcome for some of you but not so welcome for others. And as with other investments, Roth IRA investments are subject to market risk.

And here is one more point you may not have considered. Your child can open his or her *own* Roth IRA once he or she has earnings from a part-time job. If your child doesn't end up using the funds for college, it can be a nice start toward his or her retirement.



To recap, we just looked at three tax-advantaged options to save for college: a 529 plan, a Coverdell ESA, and a Roth IRA.

Now let's move on to taxable accounts. You may already have a savings account or brokerage account that is specifically earmarked for college. As we saw earlier, bank savings accounts are one of the most common way families save for college. That's probably because most parents already have them, so it's easy to just start saving there. Of course, the trick is not spending the money you are saving for college on something else.

Savings accounts, certificates of deposit (CDs), and money market funds are relatively safe ways to save for college. The Federal Deposit Insurance Corporation insures CDs and bank savings accounts at FDIC-insured institutions for up to $250,000 per depositor, per institution, and CDs generally provide a fixed rate of return.

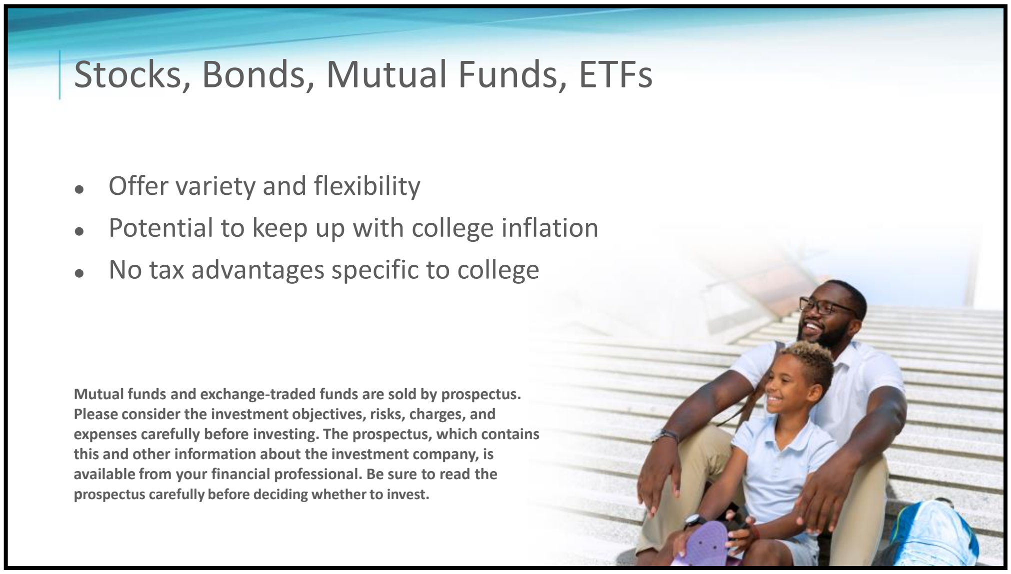
But the potential for your money to grow in these vehicles is very limited, and they are not likely to keep up with college inflation, which averages about 3 to 5% each year.[1]

While these options can certainly be a good place to park your funds if your child is very close to college, or attending college, they may not be the best options for all of your college funds if you are looking for growth.

To increase your performance potential over time, you may want to invest in stocks, bonds, mutual funds, and/or exchange-traded funds (ETFs). Let's look at these investments in a bit more detail.

Money market funds are neither insured nor guaranteed by the FDIC or any other government agency. Although a money market fund attempts to maintain a stable $1 share price, you can lose money by investing in such a fund.

Source: 1) College Board



Some families save for college by investing in stocks, bonds, mutual funds, and maybe exchange-traded funds (ETFs) within a brokerage account. Stocks are oriented toward long-term growth. Historically, they have outperformed other types of investments when held over the long term, but they are also volatile and subject to several types of risk. Mutual funds and ETFs may also be volatile, depending on their underlying investments.

Stocks, bonds, mutual funds, and ETFs offer variety and flexibility. There are literally thousands of investments to choose from, and the proceeds from the sale of these investments can be used for *any* purpose, not just college. That flexibility is pretty great. But remember, you're saving for college. So hopefully you won't be tempted to spend the funds on something else.

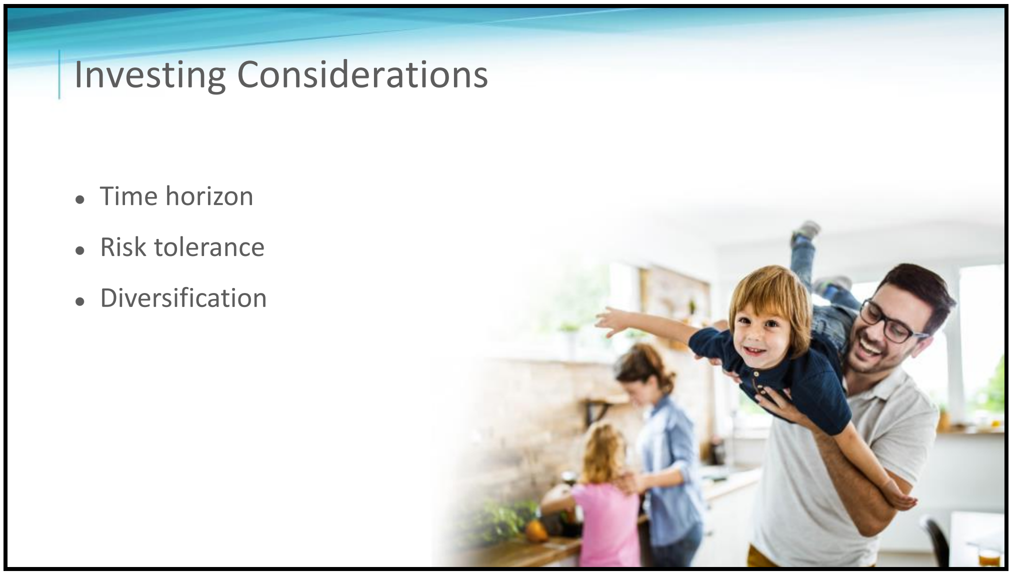
And, of course, these investments offer the potential for higher rates of return compared with a bank savings account or a money market account. However, there are no guarantees, and investments that seek to achieve higher rates of return also involve a higher degree of risk.

So, what's the drawback of saving for college by buying stocks, bonds, mutual funds, or ETFs and holding them in a brokerage account? The bottom line is they don't offer any tax advantages specific to college. Remember earlier in the presentation when we compared a taxable investment to a tax-free one? We saw that it is generally better to hold these investments in a tax-advantaged account rather than a taxable account.

Keep in mind that all investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful.

The return and principal value of stocks, bonds, mutual fund shares, and ETF shares fluctuate with changes in market conditions. When these investments are sold, they may be worth more or less than their original cost, as are bonds redeemed prior to maturity. Bond funds are subject to the same inflation, interest rate, and credit risks associated with their underlying bonds. As interest rates rise, bond prices typically fall, which can adversely affect a bond fund's performance.

Mutual funds and ETFs are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.



Whatever options you use to save for college, there are some important considerations to keep in mind.

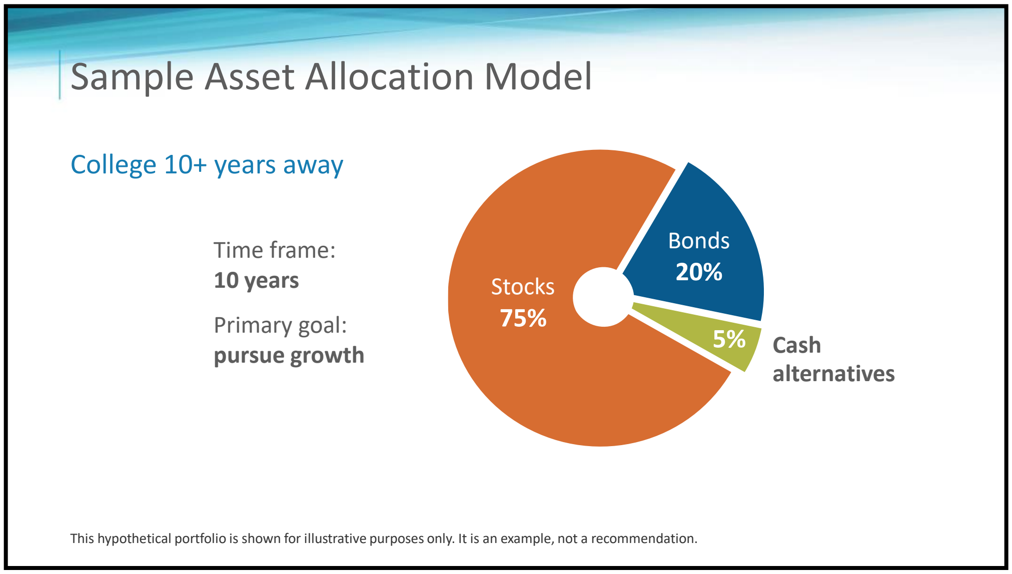
You should have a good understanding of your time horizon, your risk tolerance, and the concept of diversification.

Generally, if you start saving for college when your child is very young, you have a longer time horizon and can take a more aggressive approach to investing. The more time you have, the better you can ride out any short-term ups and downs in investment performance. If you have a shorter time frame, you may want to take a more conservative approach.

An understanding of your personal tolerance for risk is another key factor when you weigh risk and potential reward. You don't want to gamble with your child's education, so generally you want to choose investment vehicles that have risks with which you are comfortable. It is important to balance the growth potential of different investments with the risks involved. Remember: The more potential for growth offered by an investment, the more risk it typically carries.

Diversification is another fundamental investment principle that can help you reduce overall risk. As the old saying goes: Don't put all your eggs in one basket. Diversification involves investing in different asset classes and investment vehicles in order to limit exposure to losses in any one sector of the market. Of course, diversification does not guarantee a profit or protect against loss. It is a method used to help manage investment risk.

To help put these principles in perspective, let's look at two different asset allocation models that may be appropriate for two families who are saving for college.

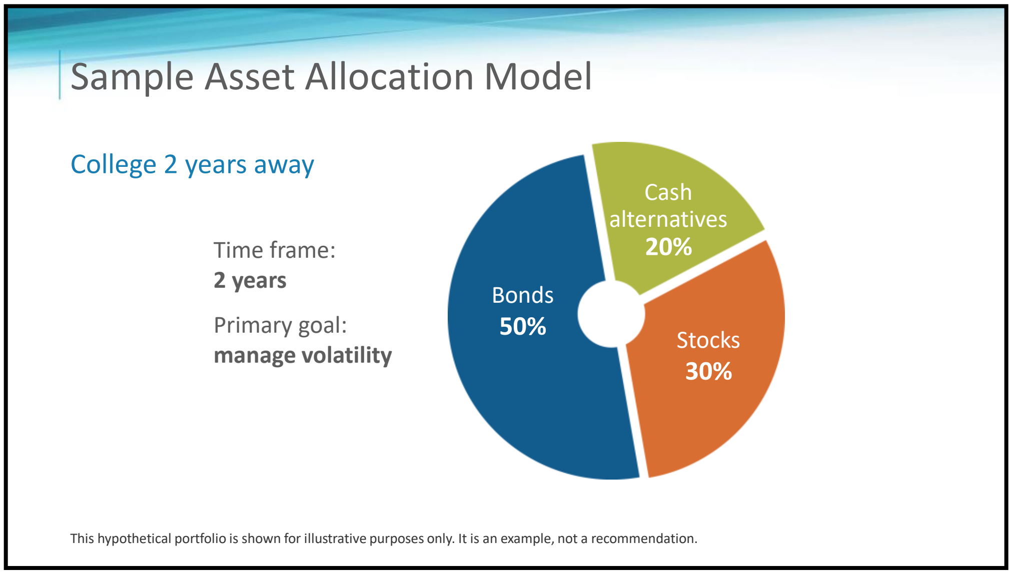


This sample asset allocation model might be appropriate for families who have 10 or more years before their child will attend college.

Because there is a longer time horizon, these families may want to invest more aggressively. An appropriate investment mix might be 5% in cash alternatives, 20% in bonds, and 75% in growth-oriented stocks.

The individual investments in this portfolio would have more volatility, but over this time horizon, this aggressive mix may ultimately yield a higher overall potential return than a conservative portfolio.

Keep in mind that this hypothetical example is used for illustrative purposes only. Actual results will vary. Investments offering the potential for higher rates of return also involve a higher degree of risk of principal.

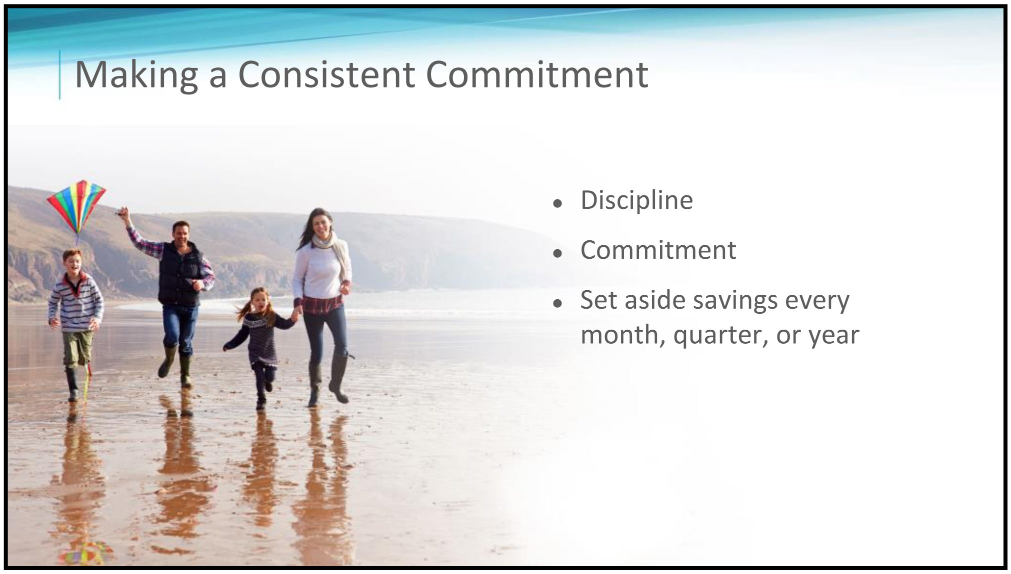


This sample asset allocation model might be appropriate for families whose child is only two years or so away from college and want to manage their risk of loss.

An appropriate portfolio for conservative investors or those with a short time horizon might look like this: 50% in bonds, 30% in stocks, and 20% in cash alternatives. This mix of investments may provide an adequate potential return for the risk these investors are willing to take.

As I mentioned earlier, 529 plans typically offer age-based portfolios whose underlying investments automatically shift to become more conservative over time as the beneficiary gets closer to college.

This hypothetical example is used for illustrative purposes only. Actual results will vary.



To succeed at building a healthy college fund, you'll need discipline and commitment. It's not easy. If you are like most parents, there are a lot of demands competing for your hard-earned dollars.

You may decide to set aside a specific dollar amount or percentage of your income each month, quarter, or year to reach your goal. If you make the commitment to save on a regular basis, you'll find that your savings can add up over time.

Setting a College Savings Goal

Monthly investment	5 years	10 years	15 years
$100	$6,977	$16,388	$29,082
$300	$20,931	$49,164	$87,246
$500	$34,885	$81,940	$145,409

Assumes a 6% annual rate of return. Rates of return will vary over time, especially for long-term investments.

This hypothetical example is used for illustrative purposes only and does not reflect the performance of any specific investment. Taxes and investment expenses are not considered. Actual results will vary.

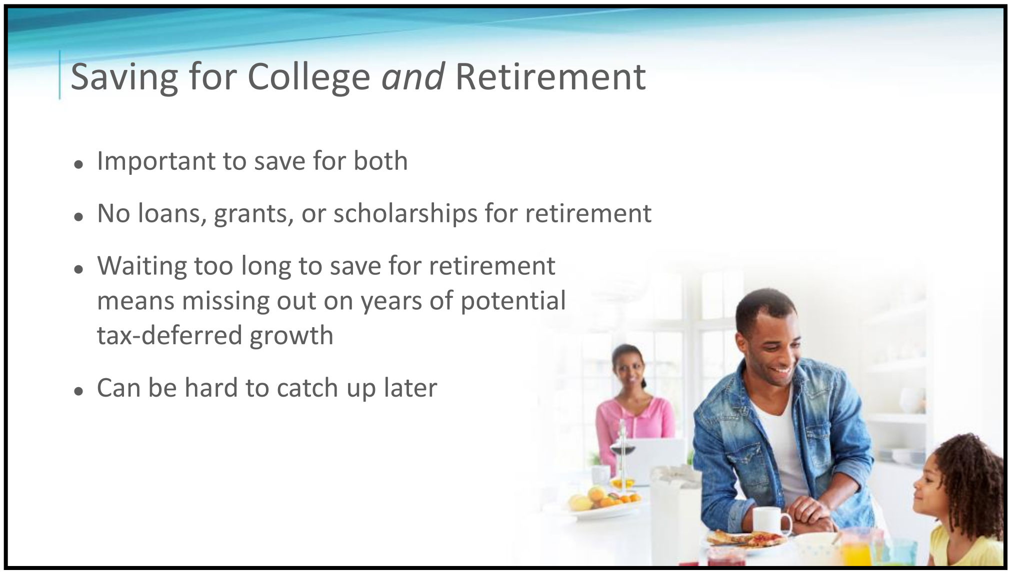
For example, if you invest $100 a month for 15 years, you could accumulate almost $30,000 in your child's college fund, assuming a 6% annual rate of return. If you are able to save $500 a month for 15 years, you could accumulate more than $145,000. The sooner you start saving, the more time your money will have to grow.

You can use the cash-flow worksheet on page 18 in your workbook to help determine how much discretionary income you might have available to put toward college.

A good strategy is to start saving every month with whatever amount you can afford, and then keep adding to it over the years as you receive raises, bonuses, tax refunds, and unexpected windfalls. And as your child gets older, he or she can also contribute by earmarking a portion of birthday or graduation money or earnings from a part-time job.

The important thing is to start saving, even if it's not as much as you'd like.

This hypothetical example is used for illustrative purposes only. It assumes a 6% annual rate of return. Rates of return will vary over time, especially for long-term investments. The performance shown does not reflect the performance of any particular investment. Taxes and investment expenses are not considered. Actual results will vary.

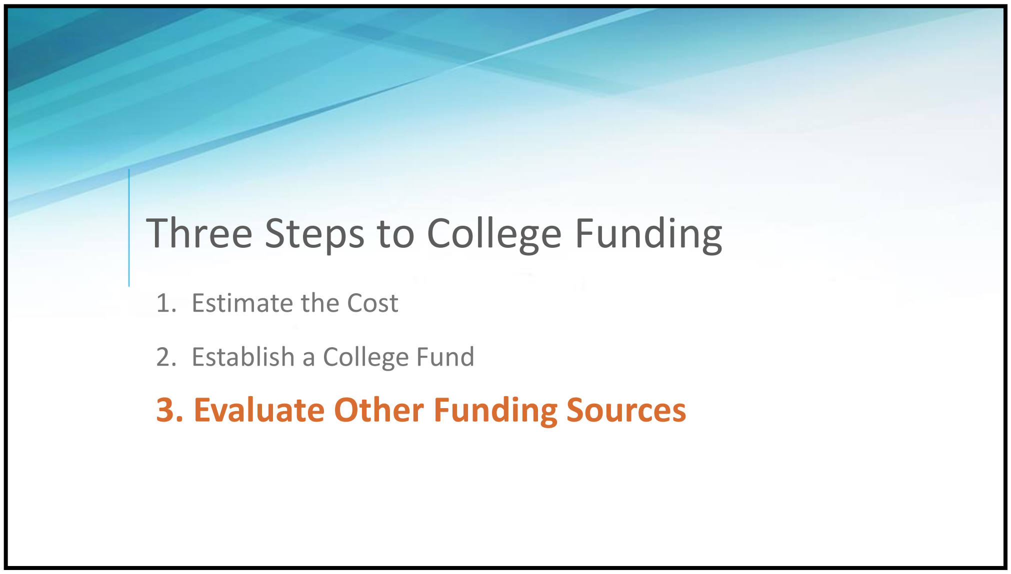


Finally, I want to address a related issue that often comes up when saving for college, and that's how saving for college affects your ability to save for retirement.

It's definitely a balancing act, but you should be saving for retirement at the same time you are saving for college.

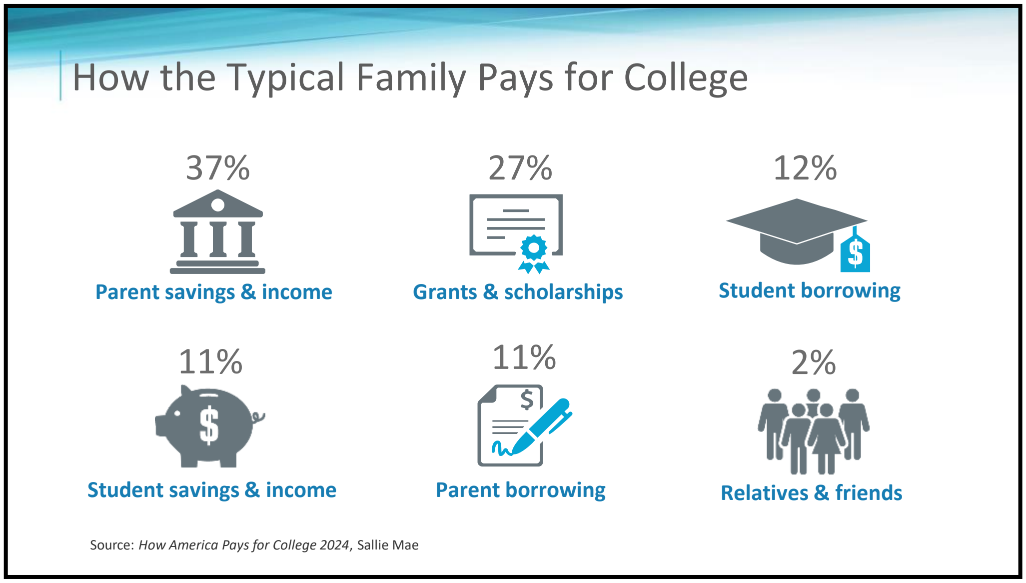
There are no loans, grants, or scholarships for retirement. If you wait too long to start saving, or postpone saving, you might miss out on years of potential tax-deferred growth in your retirement accounts. And it can be very hard to catch up later.

If your available funds are limited, you might consider putting more toward retirement and then increasing your college savings when you can.



Now let’s look at other potential funding sources that can help bridge the gap at college time.

Because even if you save on a regular basis, there is often a gap between your savings and what you’ll need to pay for college.



The typical American family uses a variety of sources to pay for college. According to a Sallie Mae survey, parent savings and income typically cover the greatest portion of costs, followed by grants and scholarships, student borrowing, and student savings and income.

We've talked about your savings and the importance of building a college fund. And, of course, your income during the college years can be a steady source of additional funds.

So now let's turn our attention to financial aid.

Source: *How America Pays for College 2024,* Sallie Mae

Financial aid is one of the most common sources of additional funding for college. Some parents assume that it will cover a good portion of their children's college costs. This may or may not be true.

Financial aid is money given primarily by the federal government and colleges to help students pay for college. It can be based on need or merit.

Financial aid can take the form of loans, grants, scholarships, or work-study. Grants and scholarships are preferable because they don't need to be repaid like loans. In a perfect world, you want to maximize grants and scholarships while minimizing loans. How can you do this?

Make it a priority at college time to look for grants and scholarships. The federal government offers two main grants: the Pell Grant and the Supplemental Educational Opportunity Grant (SEOG). But these grants are limited to students with the greatest financial need. And not only are these grants limited to those on the lower end of the income scale, they are not that large; for example, the maximum Pell Grant for the 2024–2025 school year is $7,395, and the maximum SEOG is $4,000.[1] While this can certainly help, it might still leave a lot of college costs to fund.

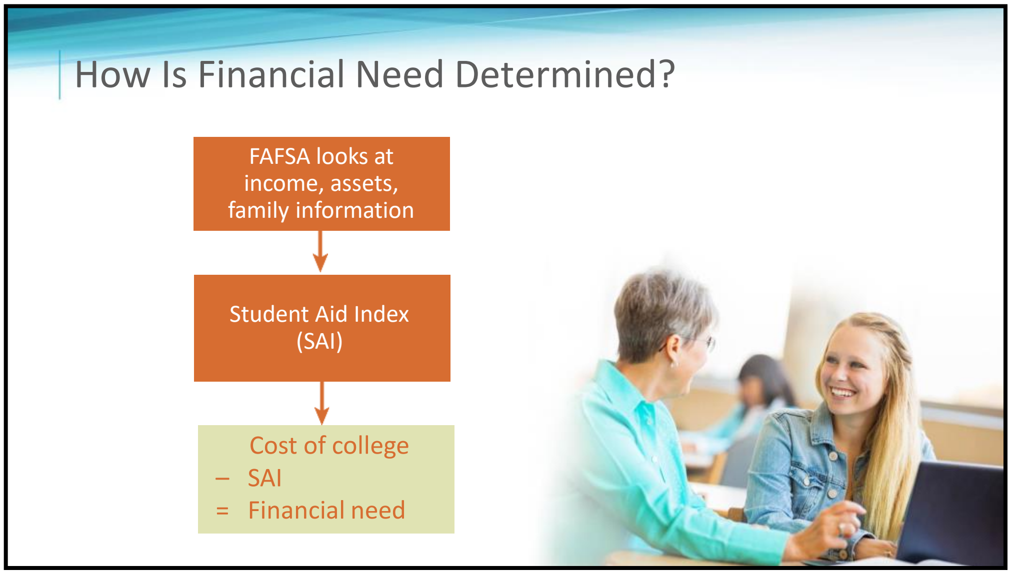
For much larger grant awards, look to individual colleges, where many awards can be in the tens of thousands of dollars. Colleges can award grants on the basis of need or merit. As college costs have soared, the upper boundaries for need-based aid have climbed to levels that would have been unimaginable a generation ago, making many upper-middle-class families eligible for need-based grants. And even if your child doesn't qualify for a need-based grant, colleges typically offer numerous merit grants. In the past, students had to apply and be accepted at a particular college to find out what their grant aid might be. Today, there is a way to get an accurate estimate ahead of time.

All colleges are required by the federal government to have a net price calculator on their website, which you can fill out *before* your child applies. A net price calculator asks for your family's income, assets, and general student information, and then provides an estimate of how much grant aid your child might expect at a particular school. The cost of the school minus this grant aid equals your estimated net price — hence the name "net price calculator." It's a really valuable tool, and I hope you all take advantage of net price calculators when your child is close to college. It takes only about 10 or 15 minutes to complete, and it is a great way for parents to compare their net price at different colleges.

As for scholarships, look to colleges first for the largest awards — most colleges typically offer scholarships for academic, athletic, or artistic talent. Then expand your search to companies, charitable and religious organizations, government agencies, and community groups. This can be your child's job down the road! Although athletic scholarships often get the most attention, scholarships can be awarded based on everything from academic major to religious affiliation to ethnic background. A few smaller scholarships here or there can really add up.

High school guidance counselors and college financial aid departments can recommend ways to search for scholarships. Students can also match their personal profile against thousands of potential scholarships through online search engines.

Source: U.S. Department of Education



So how is your child’s financial need determined? To be considered for financial aid, you must complete the federal government’s Free Application for Federal Student Aid, or FAFSA, for each year that your child will attend college.

The FAFSA looks at your family’s income, assets, and other information and calculates a figure known as the Student Aid Index, or SAI. The Student Aid Index is like a yardstick that measures your child’s financial aid eligibility. Private colleges typically require an additional form, called the CSS Profile, which they use when distributing their own funds. The CSS Profile generally digs a bit deeper into your assets and is meant to identify those students with the greatest financial need.

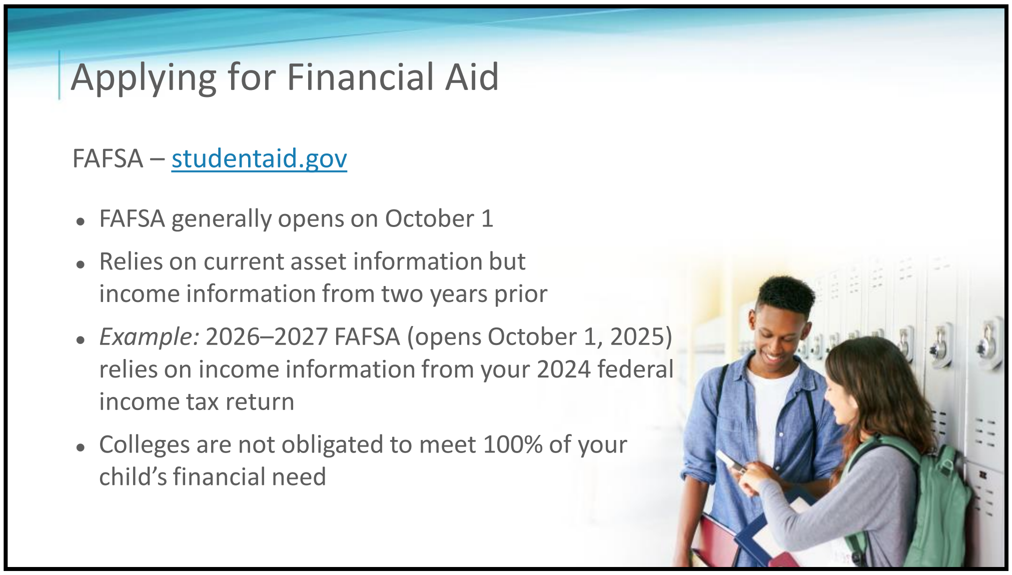
In any case, your Student Aid Index remains the same no matter which school your child attends.

The difference between the cost of a particular college and your Student Aid Index equals your child’s financial need. Your child’s financial need will be different at every college.

The most important factor in determining your child’s financial need is your current income. Unfortunately, parents with multiple children in college at the same time no longer receive a discount in the form of a reduced parent contribution, which has the potential to significantly increase out-of-pocket costs for families in this situation.

Other factors that play a role in determining your child’s financial need are your assets and the age of the older parent at college time.

Source: U.S. Department of Education



The FAFSA is available at ***studentaid.gov.*** Filing it is similar to completing your tax return. The FAFSA imports data *from* your tax return, which saves time and improves accuracy, reducing the likelihood that you will be asked for additional verification of the financial information you provide on the form.

The FAFSA can generally be submitted as early as October 1 in the year *before* your child will be attending college. It is a good idea to file the FAFSA as early as you can because some aid programs operate on a first-come, first-served basis.

The FAFSA relies on your current asset information but income information from *two years prior* to when your child will attend college, which is sometimes called the "prior-prior" year or the "base year." For example, if your child will be going to college in September 2026, you can file the 2026–2027 FAFSA beginning October 1, 2025, and it will rely on income information from your 2024 federal income tax return; 2024 is considered the "base" year.

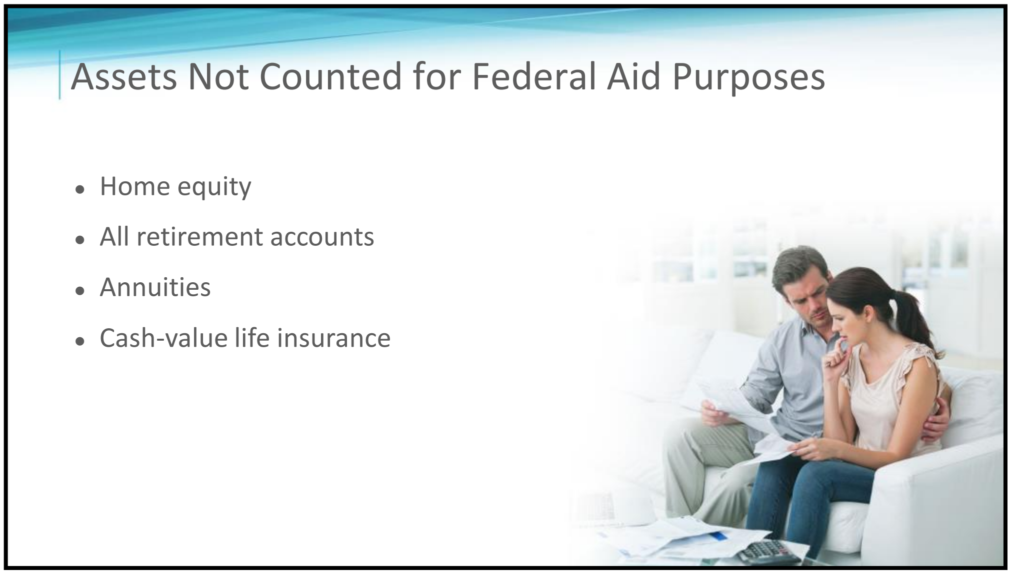
After you submit the FAFSA, you will receive a Student Aid Report. Check all information for accuracy. As I mentioned earlier, private colleges typically require the CSS Profile form, too. Make sure you submit all forms well before the deadlines set by each college.

So then what happens?

After your child is accepted at a particular school, the financial aid administrator at that school will look at your child's FAFSA (and CSS Profile, if applicable) and attempt to craft an aid package to meet your child's financial need. It can be met with a combination of federal loans, grants, and work-study along with college grants and scholarships. Colleges aren't obligated to meet all your child's financial need. If they don't, you're responsible for any gap.

Even if you think your child won't qualify for financial aid, you should still consider filing the FAFSA at college time. The FAFSA is *always* a prerequisite for federal aid, even for federal loans that are not based on financial need. In addition, it is *always* a prerequisite for college need-based aid, even at private colleges that also use the CSS Profile. And believe it or not, the FAFSA is *sometimes* required for college *merit*-based aid. So in order to cover all your bases, it is often a good idea to submit the FAFSA.

Source: U.S. Department of Education



Regarding your assets, I just want to point out that the FAFSA completely excludes some assets from consideration when calculating your Student Aid Index. These include your home equity, all retirement accounts (such as IRAs, 401(k) plans, and so on), annuities, and cash-value life insurance.

Here's another point about your retirement accounts. Both your retirement balances and your *contributions* in the base year are excluded from consideration.

Private colleges may or may not exclude these assets. Generally, private colleges exclude retirement account balances too, although they may want to know how much you contributed to these accounts in the base year. Private colleges may also look at your home equity and other assets, such as a vacation home, to get a full picture of your ability to pay.

For assets that *are* counted by the FAFSA, parent and student assets are weighted differently. Specifically, parents are expected to contribute 5.6% of their assets each year whereas students are expected to contribute 20% of their assets. Just a reminder: Your income, not your assets, is the main factor in determining financial need.

Source: U.S. Department of Education

Now let's switch gears and look at loans for a minute. When you file the FAFSA, your child becomes eligible for certain federal loans. Some of these loans are based on financial need, and some are not. The most common federal student loan is the Direct Loan. The Direct Unsubsidized Loan is open to any student, regardless of need. By contrast, the Direct Subsidized Loan is limited to students with demonstrated financial need.

All loans have annual borrowing limits, which have stayed the same for many years. For the 2024–2025 academic year, Direct Loans are limited to $5,500 for first-year students (up to $3,500 of which can be subsidized), $6,500 for second-year students ($4,500 of which can be subsidized), and $7,500 for third-, fourth-, and fifth-year students ($5,500 of which can be subsidized).[1] The student takes out the loan in his or her name and is responsible for paying it back.

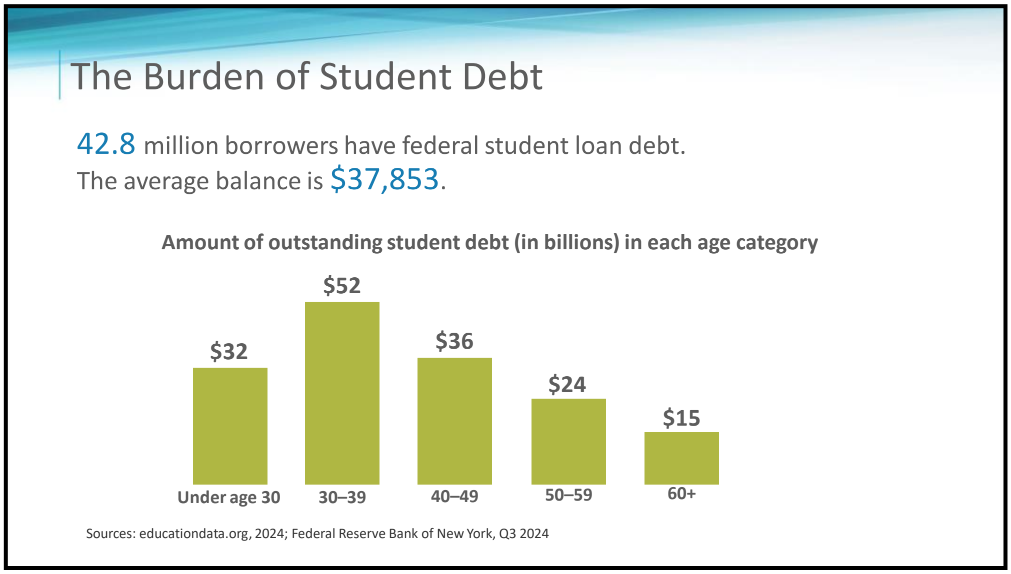
The federal government also offers a loan option for parents of dependent undergraduate students. Under the Direct PLUS Loan program, parents with good credit histories can borrow up to the full cost of their child's education.

Beyond the federal government, parents might decide at college time to take out a private loan in their name or co-sign on a private student loan, with the student as primary borrower. Keep in mind that if you co-sign on a loan and your child can't pay back the loan after graduation, you are on the hook for repaying it.

In general, federal student loans are preferable to private loans because they offer income-based repayment options, which means that after graduation your child may qualify to repay a lesser amount each month based on his or her income.

This is all in the future, of course. But it relates to what we've talked about today and illustrates why your college savings are so important. Students and parents who borrow too much for college can end up with a considerable debt burden that could last for years after graduation.

Source: U.S. Department of Education



The news is filled with stories of people burdened by excessive student loan debt. Over 42 million people currently have federal student loan debt, and the average debt balance is $37,853.[1]

This doesn't include private student loans.

It's not just young adults who have student debt. Older Americans do, too. This chart shows the amount of outstanding student loan debt in each age category.[2]

Not only are older borrowers carrying their own student loan debt later in life, but they are taking out loans to finance their children's and grandchildren's college educations, either directly or by co-signing a loan. This could have serious repercussions in their quest to save for a comfortable retirement.

If you or your child plan to borrow money to help cover college costs, consider weighing the debt necessary to fund a specific educational path against a realistic assessment of your child's earning potential after graduation.

One oft-repeated guideline suggests that a student borrow less than his or her projected annual starting salary after graduation. Thus, a student pursuing an engineering degree might be more comfortable borrowing a larger amount than a student who is pursuing a degree in social work. Keeping borrowing close to a projected starting salary should enable a college graduate to pay off the loan in 10 years or less.

Of course, having a robust college savings strategy could provide more options for your child down the road and might reduce the need for student or parent loans.

Sources: 1) educationdata.org, 2024; 2) Federal Reserve Bank of New York, Q3 2024

Now let's talk about other sources of funds that might be available to help pay for college.

Some parents withdraw money from their retirement plans or tap into their home equity.

Some students may have grandparents or other close family members who want to gift money to help cover college costs. Hopefully, that is your child!

And some parents may qualify for education tax credits, which can provide some extra funds that can be redirected to help pay for college.

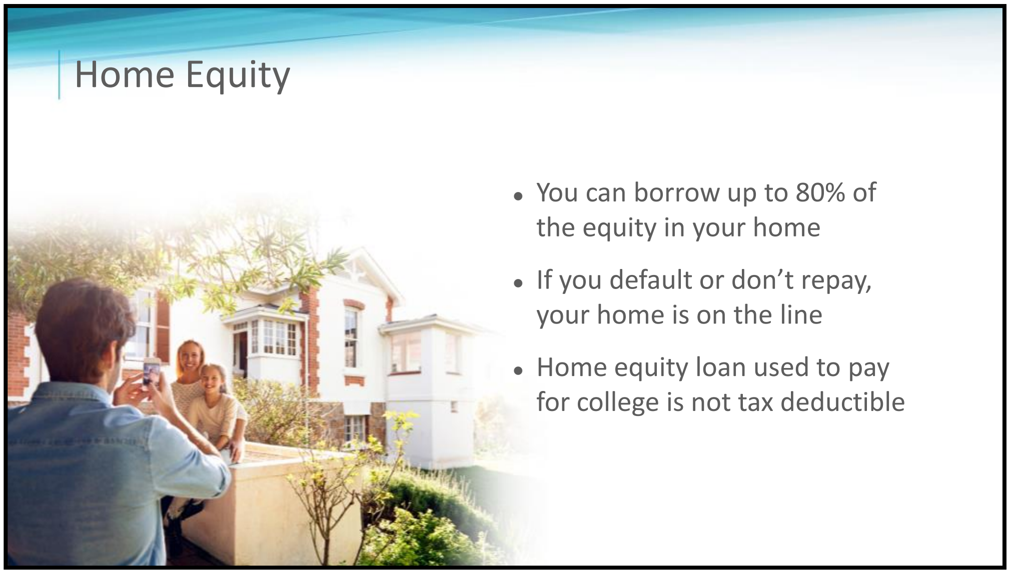
If you have a retirement plan, you could tap some of the funds at college time to help pay expenses. Of course, tapping your retirement accounts for college isn't a recommended college funding strategy, because you'll be reducing the money that will be available to you during your retirement years. But retirement plans can be a source of funds.

If you have an IRA, either traditional or Roth, you could take a withdrawal from your account.

As I mentioned earlier when we discussed Roth IRAs, IRA withdrawals made before age 59½ are generally subject to a 10% early-distribution penalty. But if the funds are used for college expenses, the penalty does not apply. You will owe income tax, however, if you withdraw money from a traditional IRA or make a nonqualified withdrawal from a Roth IRA.

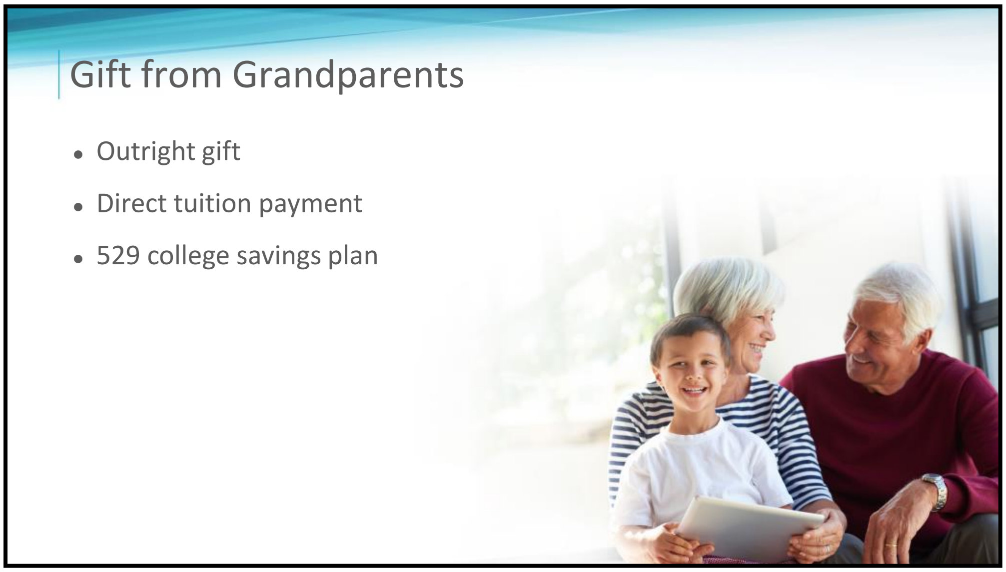
If you have an employer-sponsored retirement plan such as a 401(k), 403(b), or 457 plan, you might be able to withdraw *or* borrow funds from your account. If you withdraw funds before age 59½, you will owe both income tax and a 10% early-distribution penalty — there is no college exception to the penalty for employer retirement plans.

You might also be able to borrow from your employer plan. This depends on the rules of your individual plan. Many employer retirement plans allow loans for educational purposes but limit the amount to 50% of your vested portion. Keep in mind that loans from employer retirement plans must be repaid with interest, generally over a five-year period. So if you leave your job or lose it, immediate repayment may be required.



Another potential funding source is your home equity.

If you have built up equity in your home, a home equity loan or line of credit might be an option. Home equity loans generally allow you to borrow up to 80% of the equity in your home, and you can use the money for almost anything, including college. With this option, keep in mind that if you default on the loan or don't repay the loan, you are putting your home on the line. Also, a home equity loan used to pay college expenses is not tax deductible.



If your child has grandparents — or other close relatives — who want to help pay college costs, there are generally three ways for them to do so.

One option is for grandparents to make an outright gift of cash or securities to the grandchild or to his or her parents. Keep in mind that gifts exceeding the annual gift tax exclusion amount — $19,000 for individual gifts or $38,000 for joint gifts in 2025 — may be subject to federal gift tax. In addition, the generation-skipping transfer tax may apply to gifts given directly to grandchildren. If funds are gifted directly to a child or to the child's parent(s), they will be counted as an asset for financial aid purposes. As I mentioned earlier, under the federal aid formula, students must contribute 20% of their assets each year toward college costs, and parents must contribute 5.6% of their assets.

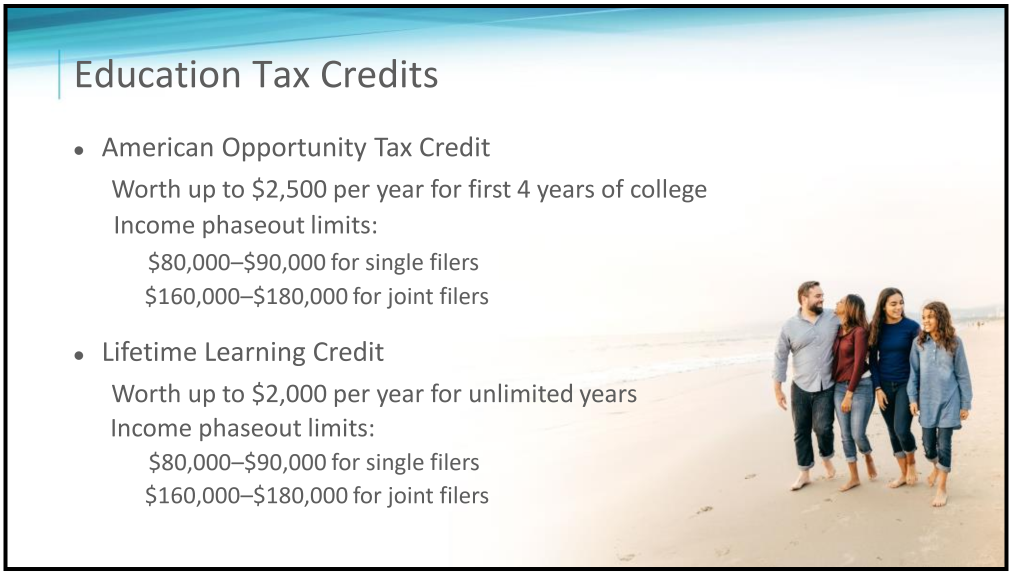
Another option is for grandparents to pay the college directly. Tuition payments made directly to a college are not considered taxable gifts, no matter how large the payment. However, a direct tuition payment by a grandparent might prompt a college to reduce a potential grant award in the grandchild's financial aid package, so be sure to inquire with the financial aid office if a grandparent is interested in making this type of payment.

The third way for grandparents to contribute funds for college is to contribute to a 529 college savings plan, which we discussed earlier. Under rules unique to 529 plans, grandparents can make a joint lump-sum gift to a 529 account of up to $190,000 in 2025 (or $95,000 for an individual) and avoid federal gift taxes by making a special election on their tax return to treat the gift as if it were made in equal installments over a five-year period. This also removes the assets from the grandparents' taxable estate.

A grandparent-owned 529 account is not counted as a parent *or* student asset on the FAFSA — because it is technically the grandparent's asset. Withdrawals from a grandparent-owned 529 plan are not counted as student income. Generally, students are not required to report any type of cash support.

As with other investments, there are generally fees and expenses associated with participation in a 529 savings plan. There is also the risk that the investments may lose money or not perform well enough to cover college costs as anticipated. The tax implications of a 529 plan should be discussed with your legal and/or tax professionals because they can vary significantly from state to state. Most states offer their own 529 programs, which may provide advantages and benefits exclusively for their residents and taxpayers. These other state benefits may include financial aid, scholarship funds, and protection from creditors.

Before investing in a 529 savings plan, please consider the investment objectives, risks, charges, and expenses carefully. The official disclosure statements and applicable prospectuses, which contain this and other information about the investment options and underlying investments, can be obtained by contacting your financial professional. You should read this material carefully before investing.



Finally, let's look briefly at education tax credits. The federal government offers two tax credits — the American Opportunity Tax Credit and the Lifetime Learning Credit — that could help ease the financial strain of paying for college.

The American Opportunity Tax Credit is worth up to $2,500 per year per student for the payment of qualified tuition, fees, books, supplies, and equipment (but not room and board). It can be taken for a student's first four years of college. The student must be enrolled at least half-time for one academic semester during the tax year. If you have more than one child in college at the same time, you can claim multiple credits based on the expenses of each child. For example, if you have three kids in college, you can claim up to $7,500 ($2,500 x 3).

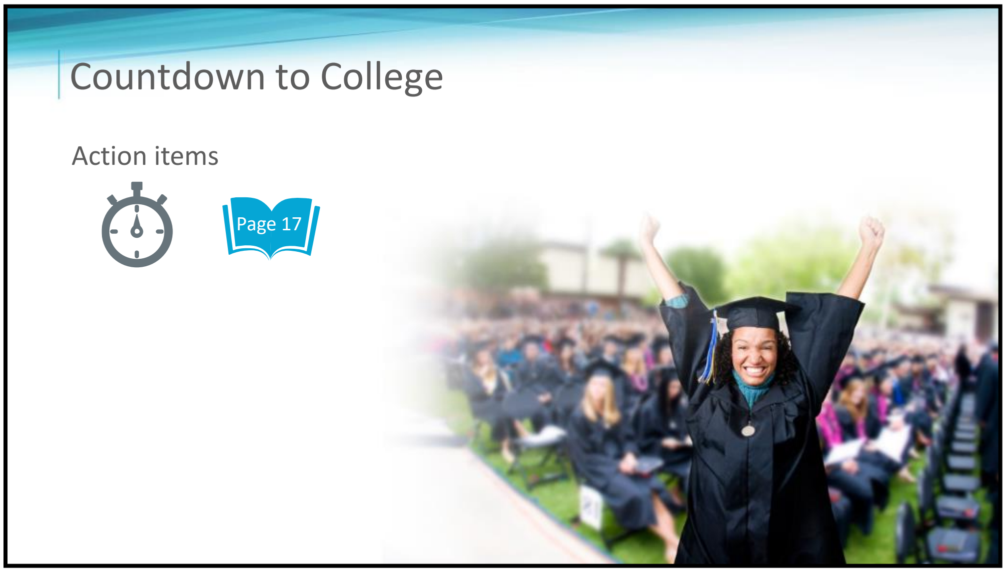
However, the ability to claim this credit is restricted by income. To claim the full American Opportunity Tax Credit in 2025, single filers must have an adjusted gross income (AGI) below $80,000, and joint filers must have an AGI below $160,000. A partial credit is available for single filers with an AGI between $80,000 and $90,000, and joint filers with an AGI between $160,000 and $180,000.

The Lifetime Learning Credit is worth up to $2,000 per year per tax return for qualified tuition and fees paid for undergraduate, graduate, and vocational education.

The Lifetime Learning Credit may be claimed for an unlimited number of tax years, but cannot be claimed for a student who is also claiming the American Opportunity Tax Credit in the same year. It is also limited to one per tax return, no matter how many students in your household may qualify.

The income phaseout limits to claim the full Lifetime Learning Credit in 2025 are the same as the American Opportunity Tax Credit: single filers must have an AGI below $80,000 and joint filers below $160,000. A partial credit is available for single filers with an AGI between $80,000 and $90,000, and joint filers with an AGI between $160,000 and $180,000.

Just keep in mind that specific rules apply to the use of tax credits for education expenses. Distributions from a Coverdell account and a 529 college savings plan can be used in concert with the American Opportunity Tax Credit or the Lifetime Learning Credit as long as the funds being claimed are used for separate identifiable qualified expenses.



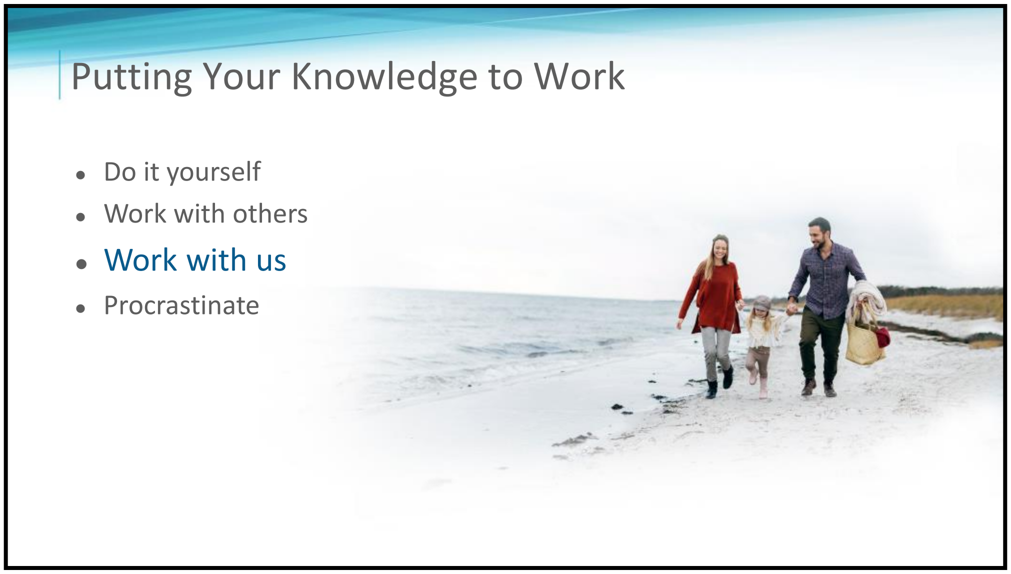
We've discussed college costs, the importance of establishing a college fund, and other resources that might be available to you at college time.

Finally, it's important to consider the final countdown to college — what you and your child can do during the four years of high school to prepare.

For example, you need to ensure that your child takes the required courses to graduate and the necessary college entrance exams. You might encourage your child to take Advanced Placement (AP) courses in high school to earn college credit ahead of time. No doubt you will be researching the colleges your child is interested in, requesting college applications, and helping your child apply for scholarships and/or financial aid.

This is also a good time to complete the net price calculator on several college websites to compare your estimated out-of-pocket costs. You can review some of these action items in the workbook on page 17.

Following through on these actions can help ensure that your family and your child are ready for college.



We’ve covered a lot of information. We’re confident that we have given you some sound approaches to building a college fund.

So where do you go from here?

There are several ways to proceed.

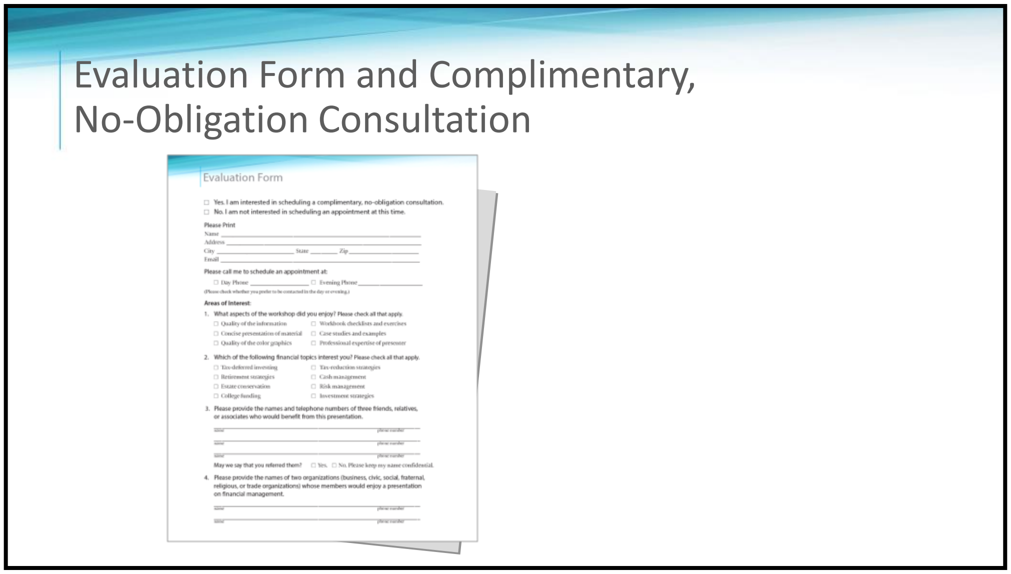
You can do it yourself. You can research different options and gradually assemble a college portfolio that may meet your needs. It’s a tremendous amount of work, but you *could* do it.

You can work with others. Perhaps you have contacts who can help you accomplish some of your financial goals.

You could work with us. We hope you feel comfortable with what you’ve learned about our professional knowledge and the approach we take with our clients.

Finally, you can procrastinate. Because of the ever-increasing cost of college, procrastination is *not* a prudent move.

Of course, we hope you’ll decide to work with us, and we hope you’ll come to the complimentary, no-obligation consultation. We don’t expect you to make any decisions now, nor do we expect you to decide when you come to our office. We want you to decide only when you’re ready. As you get to know us better, we feel confident that you’ll want to work with us. But again, the choice is up to you.



Would everyone please pull out the evaluation form I talked about at the beginning of the presentation?

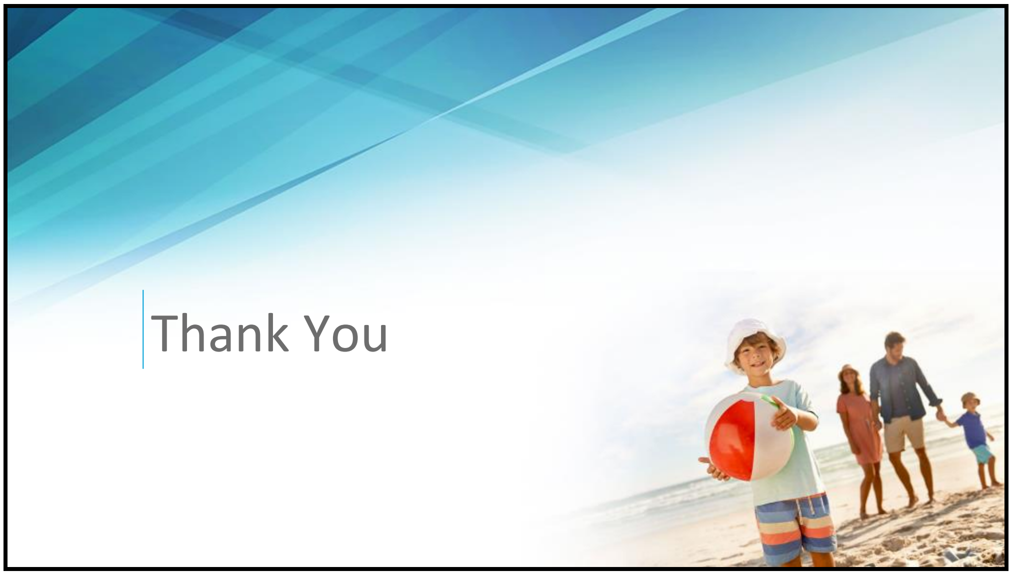
I would like each of you to fill out the form and turn it in. The evaluation form offers a way for you to comment on the seminar. It also lets me know whether you'd like to schedule a personal meeting to discuss any of the ideas you've learned here. Because many of the people who attend our seminars come in for a complimentary consultation, I've blocked out several days over the next couple of weeks to meet with you and address your specific concerns.

[Note to presenter: Have extra evaluation forms available if some participants no longer have them, and allow time for all participants to fill out the forms before they leave.]

Remember my two promises: If you check "Yes, I would like to schedule a complimentary, no-obligation consultation," we'll call you in the next couple of days to set up an appointment. If you check "No, I am not interested in scheduling an appointment at this time," we won't call you directly after today.

I'd like to collect the evaluation forms before you leave.

[Note to presenter: Mention any important financial forms or documents you would like participants to bring to the consultation. There are spaces where they can write them down on the back cover of the workbook.]



Thank you for coming to our college funding seminar. I commend you for the initiative you've shown in wanting to improve your own and your child's financial future.

I look forward to seeing you again sometime soon.

[Note to presenter: As people leave, shake hands with them and collect their evaluation forms.]