

*mefa*<sup>®</sup>

# SAVING FOR COLLEGE

MASSACHUSETTS EDUCATIONAL FINANCING AUTHORITY

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## About MEFA

- Not-for-profit state authority created in 1982
- Helping families plan, save, and pay for college
- Keeping you on track with college planning:
  - [mefa.org](http://mefa.org): Information, tools, & resources
  - **Emails**: Sign up!
  - **Facebook, Twitter, & LinkedIn**
  - **Webinars**: Register online
  - **YourPlanForTheFuture.org**

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## Agenda

- The Importance of College
- College Cost and Affordability
- How Do Families Pay?
- Strategies for Saving
- Two Massachusetts Savings Options: U.Fund and U.Plan



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## The Importance of Education After High School

"People who have a bachelor's degree have lower unemployment and earn more money than people who have less education."  
 \*Bureau of Labor Statistics 2013

The word "college" has come to mean many different things (4-year colleges and universities, 2-year community colleges, and career institutions, also known as technical, vocational, or trade schools.)

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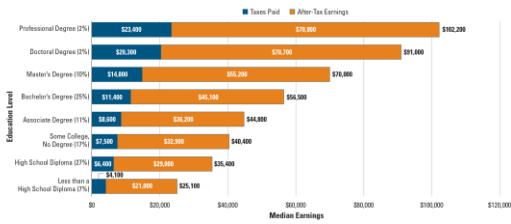
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**Median Earnings and Tax Payments of Full-Time Year-Round Workers Ages 25 and Older, by Education Level, 2011**



SOURCE: U.S. Census Bureau, 2012, Table PNC-05, Internal Revenue Service, 2010; Davis et al., 2012, calculations by the authors.

For detailed data, see: [research.collegeboard.org](http://research.collegeboard.org).

Education Pays 2013

*College Board*

## The Importance of Higher Education

"Evidence is overwhelming that for most people, education beyond high school is a prerequisite for a secure lifestyle and significantly improves the probabilities of employment and a stable career with a positive earnings trajectory. It also provides tools that help people to live healthier and more satisfying lives, to participate actively in civil society, and to create opportunities for their children."

\*Education Pays 2013, The College Board

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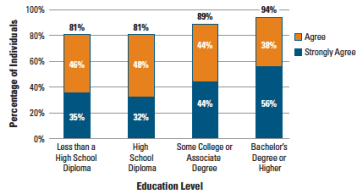
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## Work Satisfaction

**FIGURE 1.10A**  
Sense of Learning New Things on the Job Among Employed Individuals  
Ages 30 to 45, by Education Level, 2002, 2006, and 2010



Source: Education Pays 2013, The College Board

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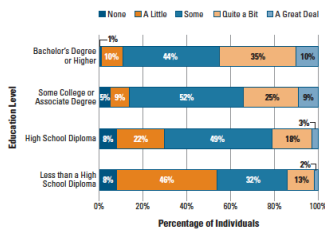
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## Political Knowledge Rates

**FIGURE 1.20A**  
Understanding of Political Issues Among Individuals Ages 25 and Older, 2012



Source: Education Pays 2013, The College Board

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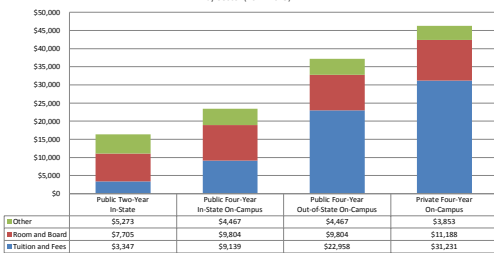
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## Cost of College: National Averages

Average Estimated Full-Time Undergraduate Budget  
by Sector (2014-2015)



Source: Trends in College Pricing 2014, The College Board

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## Understanding College Affordability

What is the real cost to you as a family?

- Net Price Calculators on college websites
- Expected Family Contribution (EFC) Calculator: [CollegeBoard.org](https://collegeboard.org)
- College Navigator: [CollegeNavigator.gov](https://collegenavigator.gov)
- College Scorecard: [CollegeScorecard.ed.gov](https://collegescorecard.ed.gov)
- Fidelity [College Savings Calculator](#)



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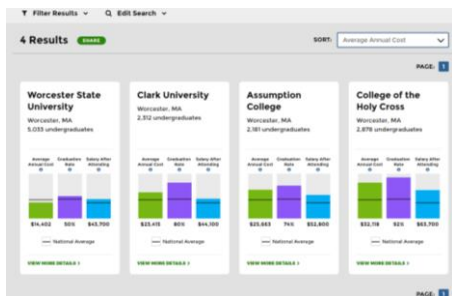
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## College Scorecard



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## How Families Pay for College

- Financial Aid
  - Savings
  - Other Assets
- Present Income
  - Salary (Payment Plans)
- Future Income
  - Parent Loans
  - Student Loans



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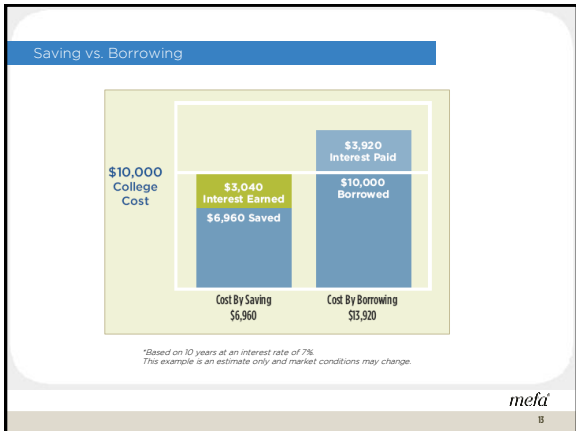
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### Myths We've Heard About Saving for College

**“Saving for college means no financial aid.”**

The TRUTH: Income is the biggest factor in determining financial aid eligibility, not savings. Your savings will help you when it comes time to pay for college.

**“It’s not worth saving for college if I can’t save the entire cost.”**

The TRUTH: Every little bit saved toward college will help. Even saving a small amount over time can add up and help cover costs such as books.

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- ### Your College Savings Will Help You
- Give you more education options
    - Different types of colleges
    - Special programs such as study abroad
  - Reduce or eliminate the need to borrow loans
  - Allow the student to work less and study more
  - Have a minimum impact on financial aid eligibility
  - Motivate your child
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Let's Look at an Example



Luis wants to go to a four-year public school to study business. The full annual cost of the school is \$22,500.

**Luis' Financial Aid Award**

Grants & Scholarships	\$13,000
Federal Work-Study	\$2,000
Federal Loan	\$5,500
<b>Total Aid</b>	<b>\$20,500</b>



Luis' family will need to pay **\$2,000** out of pocket for his first year of school.

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Another Example



Katie wants to go to a four-year private school to study nursing. The full annual cost of the school is \$60,000.

**Katie's Financial Aid Award**

Grants & Scholarships	\$30,000
Federal Work-Study	\$2,000
Federal Loan	\$5,500
<b>Total Aid:</b>	<b>\$37,500</b>



Katie's family will need to pay **\$22,500** out of pocket for her first year of school.

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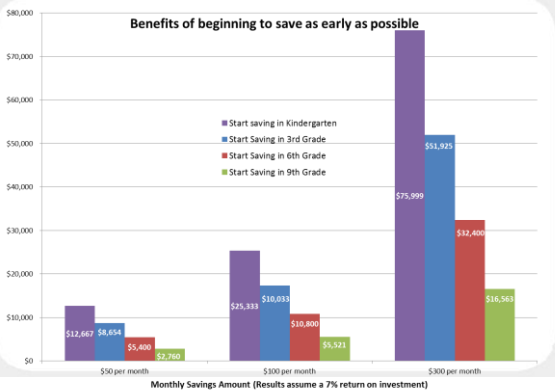
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Benefits of beginning to save as early as possible




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### Strategies for Saving

- Start saving as early as possible. Use time to your advantage.
- Use automatic transfers.
- Get the word out and let your family and friends know that they may contribute or open a plan on behalf of your child.
- Involve your child in the process.



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### Two Good Savings Options

**mefa**  
**UFUND**  
Massachusetts 529 Plan

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**UPLAN**<sup>®</sup>  
Prepaid Tuition Program

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### U.Fund 529 College Investing Plan

How the U.Fund works:

- Save for qualified higher education expenses
  - Tuition, fees, room, board, books, supplies, and equipment
- Savings can be used at any accredited college or university nation wide
- Minimum Initial Investment: \$50 lump sum or \$15/monthly automatic investments
- Combined Account Maximum: \$375,000
- No Annual Account Maintenance Fee
- Multiple investment options
  - Active management, indexed portfolio, individual allocation portfolios, FDIC insured

Enroll online at [fidelity.com/ufund](http://fidelity.com/ufund) or by calling (800) 544-2776

**mefa**  
**UFUND**  
Massachusetts 529 Plan  
Established in 1999

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What are the benefits of the U.Fund? (continued)



- Parent or adult account owner maintains control over account on behalf of the student
- Minimal impact on financial aid eligibility
- Qualified withdrawals are free from federal and MA state income taxes
- Flexibility:
  - Use for a wide range of college expenses, such as tuition, fees, room, board, books, supplies and equipment
  - Use at most accredited colleges and universities (and career schools eligible for Title IV funding) nationwide and at eligible foreign institutions
  - Multiple investment options, including an FDIC insured option
  - Can change student beneficiary




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The U.Plan Prepaid Tuition Program



How the U.Plan works:

- Allows you to prepay up to 100% of tuition & mandatory fees at a large network of MA public and private colleges & universities
- By purchasing Tuition Certificates now, you lock in today's tuition and mandatory fee rates
- U.Plan Tuition Certificates:
  - Represent interest in Commonwealth General Obligation Bonds
  - Are backed by the full faith and credit of the Commonwealth of MA
  - Are not subject to market fluctuation
  - Require \$300 minimum to get started
- Annual enrollment period: May 1st to June 30th

To learn more about the U.Plan visit [mefa.org/uplan](http://mefa.org/uplan)




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Participating U.Plan Colleges & Universities

- |  |   |   |
|--|---|---|
| American International College               | Fisher College                          | North Shore Community College           |
| Amherst College                              | Fitchburg State University              | Northeastern University                 |
| Atina Maria College                          | Framingham State University             | Northern Essex Community College        |
| Art Institute of Boston at Lesley University | Gordon College                          | Pine Manor College                      |
| Assumption College                           | Greenfield Community College            | Quincy Junior Community College         |
| Babson College                               | Hampshire College                       | Regis College                           |
| Bay Path College                             | Hellenic College                        | Robury Community College                |
| Benjamin Franklin Institute of Technology    | Hellenic College                        | Salem State University                  |
| Bentley College                              | Holyoke Community College               | Simmons College                         |
| Berklee College of Music                     | Laboure College                         | Smith College                           |
| Berkshire Community College                  | Lasell College                          | Springfield College                     |
| Boston College                               | Lesley University                       | Springfield Technical Community College |
| Boston University                            | Massachusetts Bay Community College     | Stonchill College                       |
| Bridgewater State University                 | Massachusetts College of Art and Design | Suffolk University                      |
| British Community College                    | Massachusetts College of Liberal Arts   | University of Massachusetts Amherst     |
| Bunker Hill Community College                | Massachusetts Maritime Academy          | University of Massachusetts Boston      |
| Cape Cod Community College                   | Massachusetts Community College         | University of Massachusetts Dartmouth   |
| Clark University                             | Merrimack College                       | University of Massachusetts Lowell      |
| College of Our Lady of the Elms              | Middlesex Community College             | Wentworth Institute of Technology       |
| College of the Holy Cross                    | Monterey College of Art                 | Western New England University          |
| Curry College                                | Mount Holyoke College                   | Westfield State University              |
| Denn College                                 | Mount Ida College                       | Wheaton College                         |
| Eastern Nazarene College                     | Mount Wachusett Community College       | Worcester Polytechnic Institute         |
| Emerson College                              | New England Conservatory of Music       | Worcester State University              |
| Emmanuel College                             | Newbury College                         |   |
| Endicott College                             | Nichols College                         |   |




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What To Do Now

- Start (or continue) saving
- Talk to your child about college
- Use online tools to learn more about college cost
- Join MEFA's email community at [mefa.org](http://mefa.org)



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Questions

[mefa.org](http://mefa.org)  
[info@mefa.org](mailto:info@mefa.org)  
(800) 449-MEFA (6332)



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