

*mefa*<sup>®</sup>  
**Saving for College**

## Your Presenter Today

# Jonathan Hughes

## Associate Director of College Planning and Content Creation

Jonathan has worked at MEFA for 20 years helping families in Massachusetts prepare for college.

As Associate Director of College Planning and Content Creation, he provides guidance on planning, saving, and paying for college to students and their families through several different channels.







## About MEFA

**State authority created in  
1982 by the Commonwealth of  
Massachusetts to help  
families plan, save, and pay  
for college**





## Webinar Topics

- **Why Save?**
- **Two Massachusetts Savings Options**
- **Strategies for Saving**
- **How Families Pay for Postsecondary Education**



**Saving for College:**

**WHY SAVE?**

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

**"My savings will hurt my 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.**



A warm, close-up photograph of a family. A man with short dark hair and a beard is smiling broadly, looking down at a young girl. The girl has dark hair with a pink bow and is wearing a white dress with a floral pattern. A woman with long dark hair is also smiling, looking towards the girl. The background is softly blurred, showing what appears to be a home interior with a window.

## **Your College Savings Will Help You**

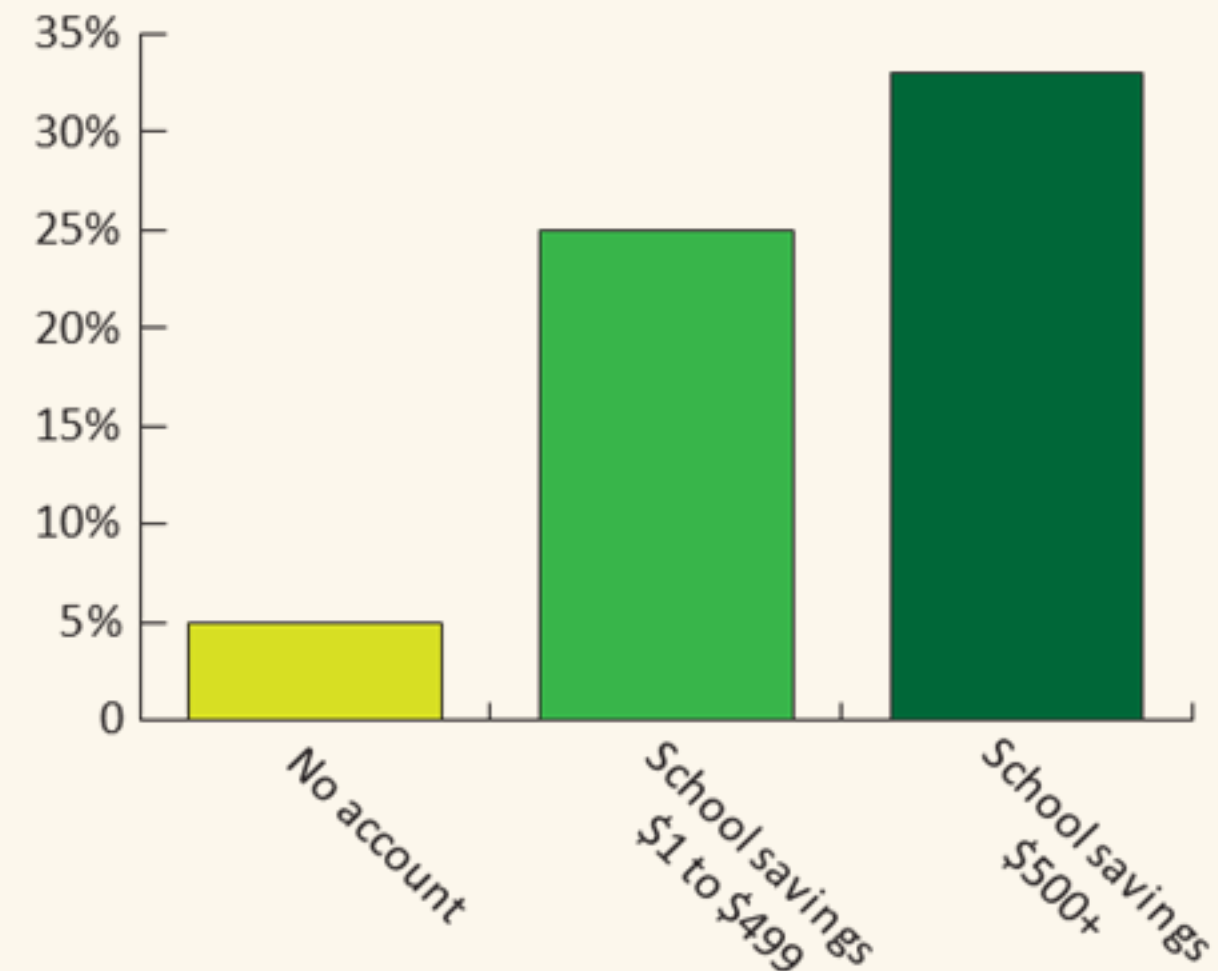
- **Give you more education options**
- **Reduce or eliminate the need to borrow loans**
- **Allow the student to work less and study more**
- **Have a minimum impact on aid eligibility**



## Positive Impact of 529 Plans

- **Increased attendance and graduation**
- **Benefits all income levels**
- **Motivates your child**

Figure 1. LMI children who graduate from college by savings amount



\*Image source: Washington University at St. Louis George Warren Brown School of Social Work Research Brief, March 2013 Elliot, William, Hyun a-Song, Ilsung Nam



Saving for College:

# TWO MASSACHUSETTS SAVINGS OPTIONS

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A background image showing a man and a young child with curly hair, both smiling and looking towards the right side of the frame. The man is wearing a light blue button-down shirt, and the child is wearing a light-colored shirt. They appear to be sitting at a table, possibly in a home or educational setting.

## 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 nationwide**
- **Combined account maximum: \$500,000**
- **No annual account maintenance fee or minimum investment**
- **Multiple investment options**
  - Active management, indexed portfolio, individual allocation portfolios, FDIC insured
- **Enroll online at [fidelity.com/ufund](https://fidelity.com/ufund) or by calling (800) 544-2776**





## What if?

What happens if my child doesn't go to college?

- Funds can be transferred to other beneficiaries within the family
- Funds don't need to be used for college per se. Can be used for vocational training programs at eligible institutions

What happens if my beneficiary goes to graduate school?

- 529 Funds can be used for Graduate Education

What if I take out money for ineligible expenses

- 10% penalty on the earnings (exceptions in cases of death, disability of the student and scholarship)
- Earnings will be taxed at owner's rate of income in any event



A family consisting of a father, a mother, and a young child are gathered around a table, looking at a laptop. The father is leaning over the table, pointing at the screen. The mother is sitting at the table, looking at the screen. The child is sitting between them, also looking at the screen. The background is a blurred home interior.

## Expanded 529 Uses

**529 plan funds can be used for:**

- **Textbooks, fees, & equipment for apprenticeships (\$10,000 annually)**
- **Tuition for private and public K-12 education (\$10,000 annually)**
- **Student loan repayment (\$10,000 in total)**



## U.Plan Prepaid Tuition Program

### How the U.Plan works:

- **Allows you to prepay up to 100% of tuition & mandatory fees at participating schools**
  - **Large network of MA public and private colleges and universities**
- **Purchase Tuition Certificates to 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**
- **Contributions accepted year round**
- **Bonds are purchased and percentages locked in July**
- **To learn more about the U.Plan visit [mefa.org/uplan](https://mefa.org/uplan)**



## What if?

What happens if my child doesn't go to a participating college?

- Funds can be transferred to other beneficiaries within the family
- Certificates can be cashed out upon maturity. Owner will receive their investment plus CPI interest

What happens if my beneficiary goes to graduate school?

- UPLAN funds cannot be sent to a college for Graduate Education

Are there tax consequences for cashing out?

- Distributions from the UPLAN whether cashed out or sent to a college carry no Massachusetts or Federal tax consequences



## Massachusetts Tax Benefits

- **Contributions to the U.Plan and U.Fund are MA state tax deductible**
  - **Up to \$2,000 for married filers**
  - **Up to \$1,000 for individual filers**
- **Limits are per filer, not per account**

## BabySteps Savings Plan

**Any child who is a Massachusetts resident and was born or adopted on or after January 1, 2020 is eligible to receive a \$50 seed deposit from the State Treasurer's Office into a U.Fund account with that child as the Beneficiary within one year of the child's birth or adoption.**





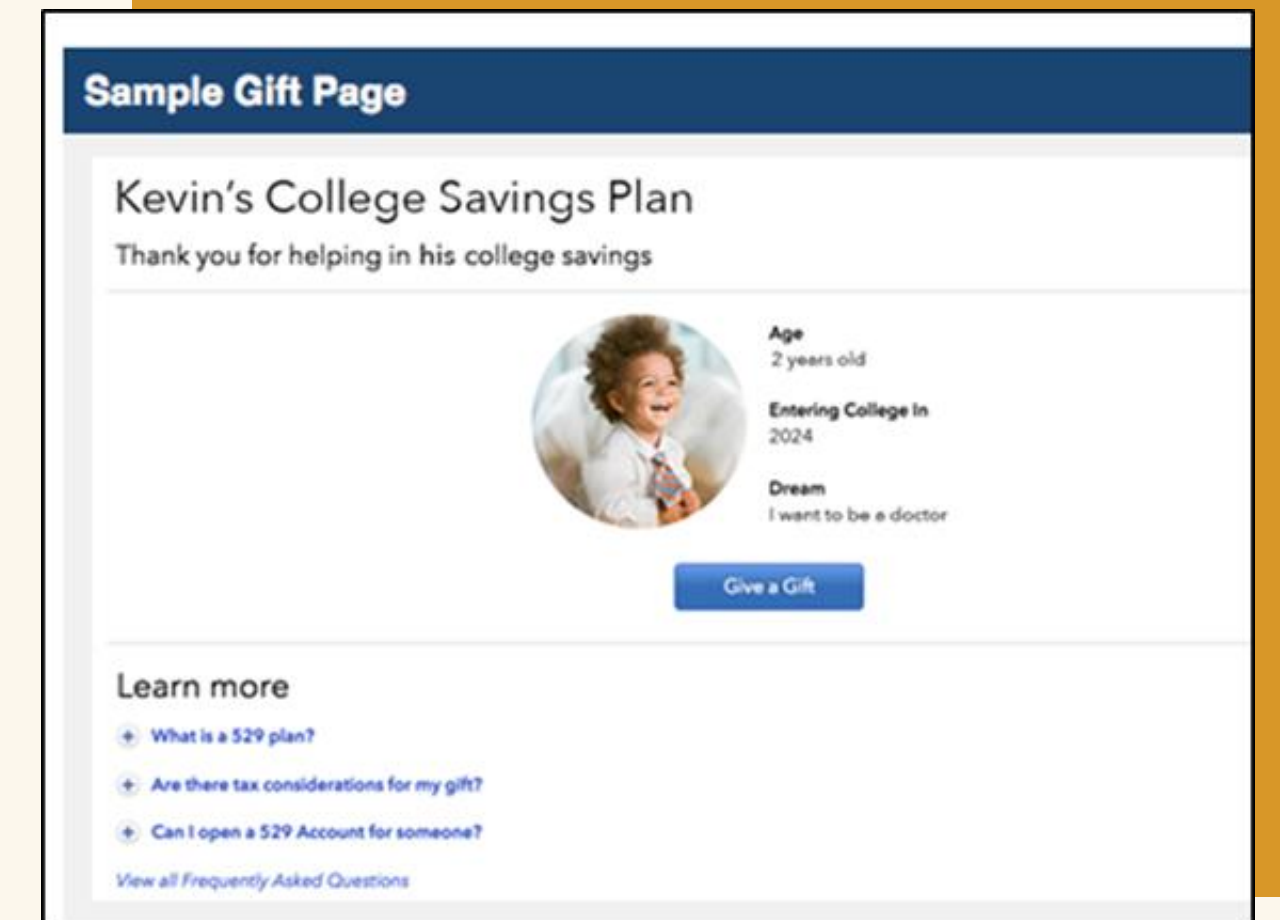
Saving for College:

# STRATEGIES FOR SAVING

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## Strategies for Saving for College

- **Start saving as early as possible**
  - **Use time to your advantage**
- **Start with a goal in mind**
- **Take advantage of unexpected funds**
- **Use automatic transfers**
- **Get the word out**
  - **Tell your family & friends to contribute**
- **Involve your child in the process**

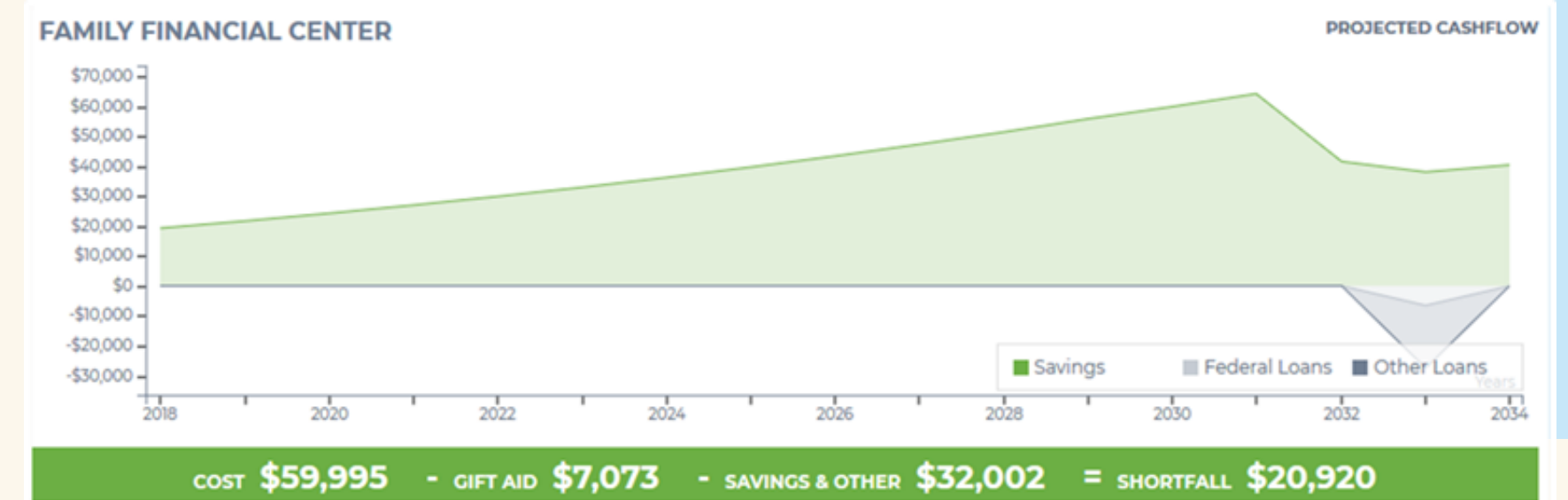




## MEFA's College Planning Tool

Create a personal strategy to pay for your child's higher education costs

- Record your current college savings
- Project your future college expenses
- Receive guidance on meeting your shortfall



## Compound Interest

- Julie starts saving \$50 per month in a 529 account when her child is first born.
- Jonathan saves \$100 per month in a 529 account beginning when his child is in 2nd grade.
- *Who will have more money saved when his/her child turns 18?*



## Compound Interest Example

**Julie starts saving \$50 per month in a 529 account when her child is first born.**

- **\$21,536**
  - **\$10,800 contributed**
  - **\$10,736 interest earned**

**Jonathan saves \$100 per month in a 529 account starting when his child is in 2nd grade.**

- **\$19,798**
  - **\$13,200 contributed**
  - **\$6,598 interest earned**

**\*This assumes consistent monthly saving until the child is 18 and an annual investment return of 7%**



**Saving for College:**

# **HOW FAMILIES PAY FOR POSTSECONDARY EDUCATION**

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## Postsecondary Options

Costs include tuition, fees, housing, food, books, supplies, transportation, & other expenses

\$66,800 per year\*  
(Call out food and housing?)

**4-year private**

<\$33,000 for entire education\*\*

**Vocational schools**

\$27,330 in-state per year\*  
\$44,160 out-of-state per year\*

**4-year public**

\$9,500 per year\*  
(does not include room & board)

**2-year public community college**

\* The College Board, *Trends in Student Pricing 2021* \*\* Value Colleges, *University, Community College, or Trade School: Which Makes the Most Economic Sense?*





**\$175.1 Billion Dollars Awarded  
to Students in 2020-21\***

## **Merit-Based Aid**

- **Awarded in recognition of student achievements (academic, artistic, athletic, etc.)**

## **Need-Based Aid**

- **Awarded based on family's financial eligibility**

\* The College Board, *Trends in Student Aid 2021*





## How Do Families Pay for Postsecondary Ed?

- **Financial Aid**
- **Past Income**
  - **Savings**
- **Present Income**
  - **Salary (Payment Plans)**
- **Future Income**
  - **Parent Loans**
  - **Student Loans**





## Next Steps

- **Start (or continue) saving**
- **Talk to your child about college**
- **Use online tools to learn more about college costs**
- **Sign up for webinars at [mefa.org/events](https://mefa.org/events)**
- **Join MEFA's email community at [mefa.org](https://mefa.org)**



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Thank You

QUESTIONS?

Call (800) 449-MEFA (6332)  
or email [collegeplanning@mefa.org](mailto:collegeplanning@mefa.org)

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