

mefa[®]
Saving for College

Your Presenter Today

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Jonathan has worked for over 15 years at MEFA helping families in Massachusetts plan, save, and pay for college.

As Associate Director of College Planning and Education, he leads the customer service team and works in the community to share expertise and guidance on all aspects of the college planning process.





About MEFA

**Not-for-profit state
authority created in 1982,
helping 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 floral dress. A woman with long dark hair is also smiling, looking towards the man and the girl. The background is softly blurred, showing what appears to be a home interior with a window.

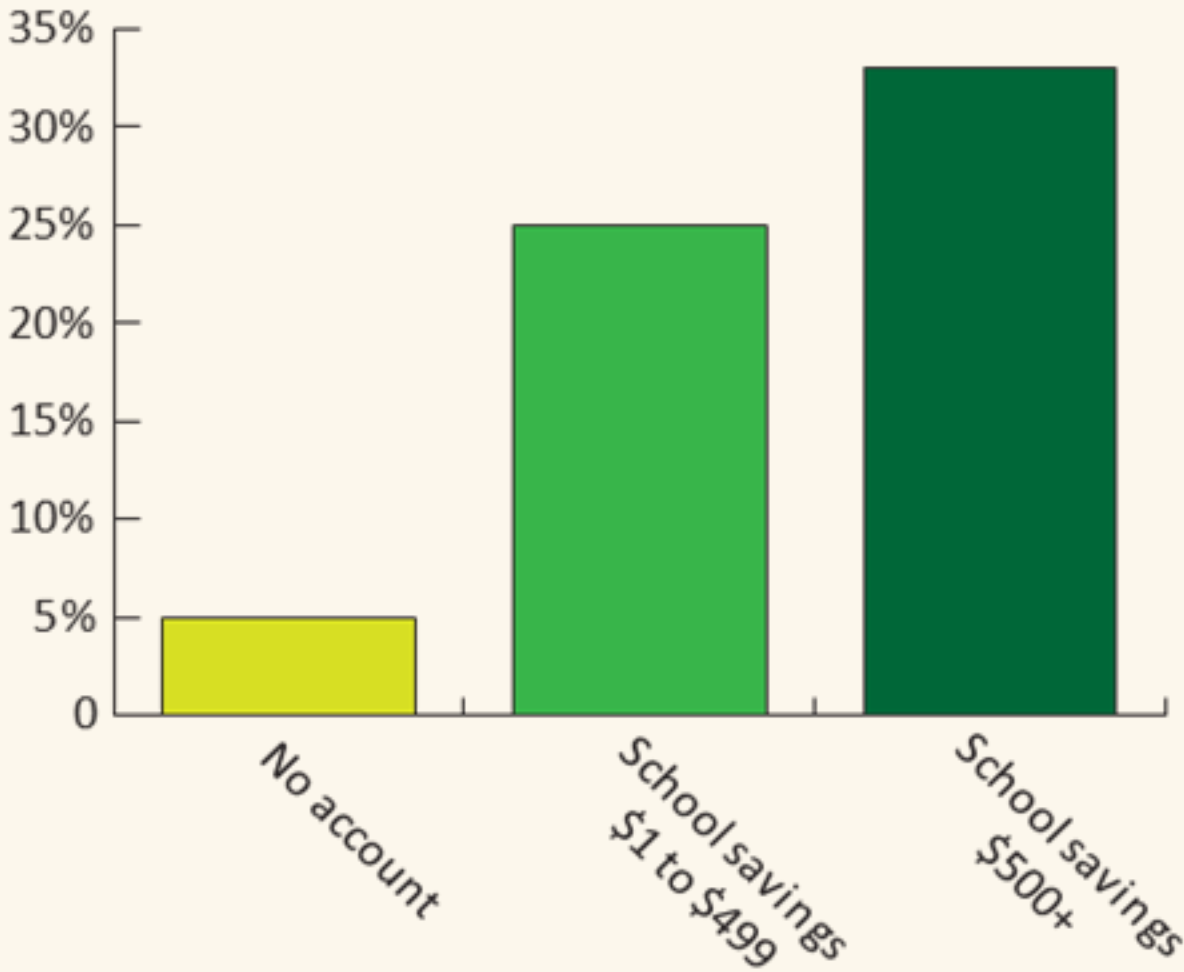
Your College Savings Will Help You

- **Give you more education options**
 - 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 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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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 or by calling (800) 544-2776**

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**

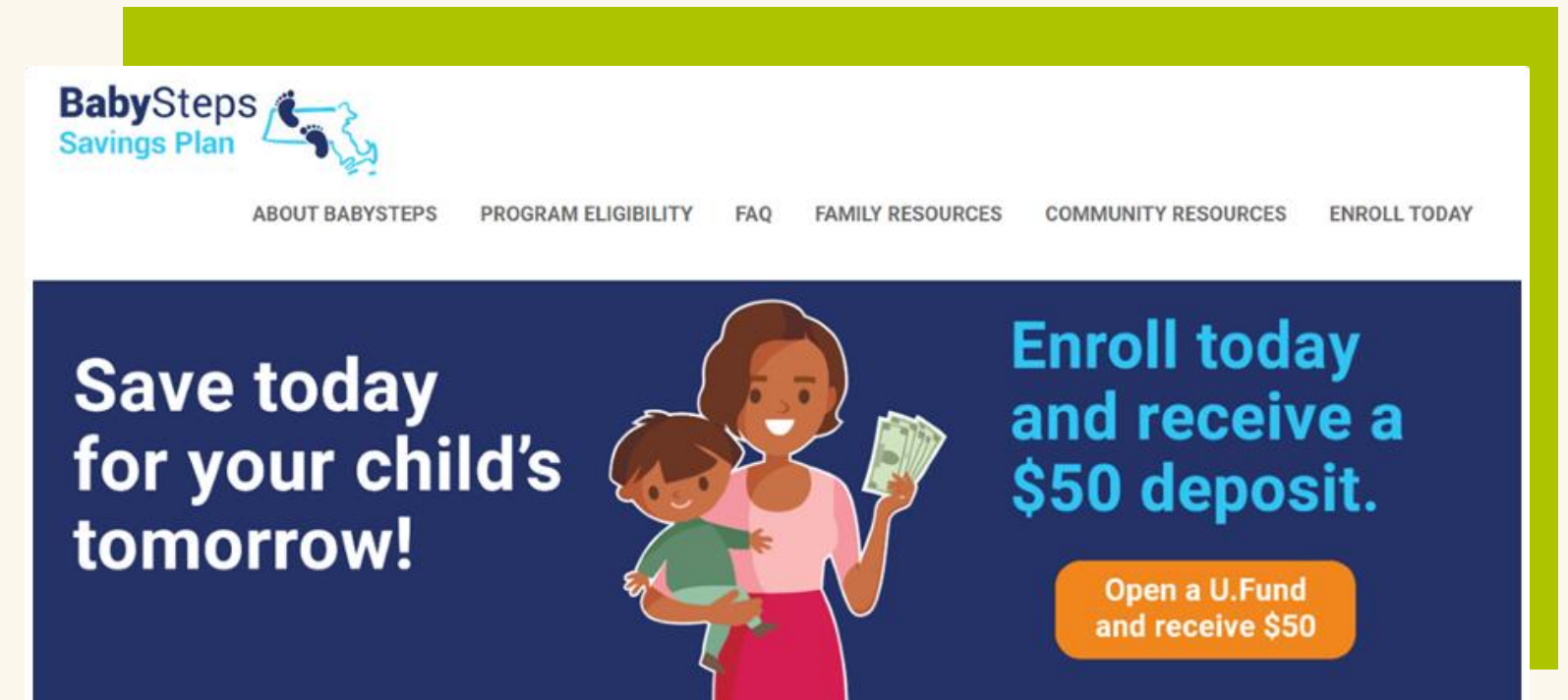


Expanded 529 Uses

- **Up to \$10,000 can be used in 529 plan funds to:**
 - Pay for expenses related to private and public K-12 education**
 - Pay for expenses related to apprenticeships**
 - Repay student loans**

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.



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**

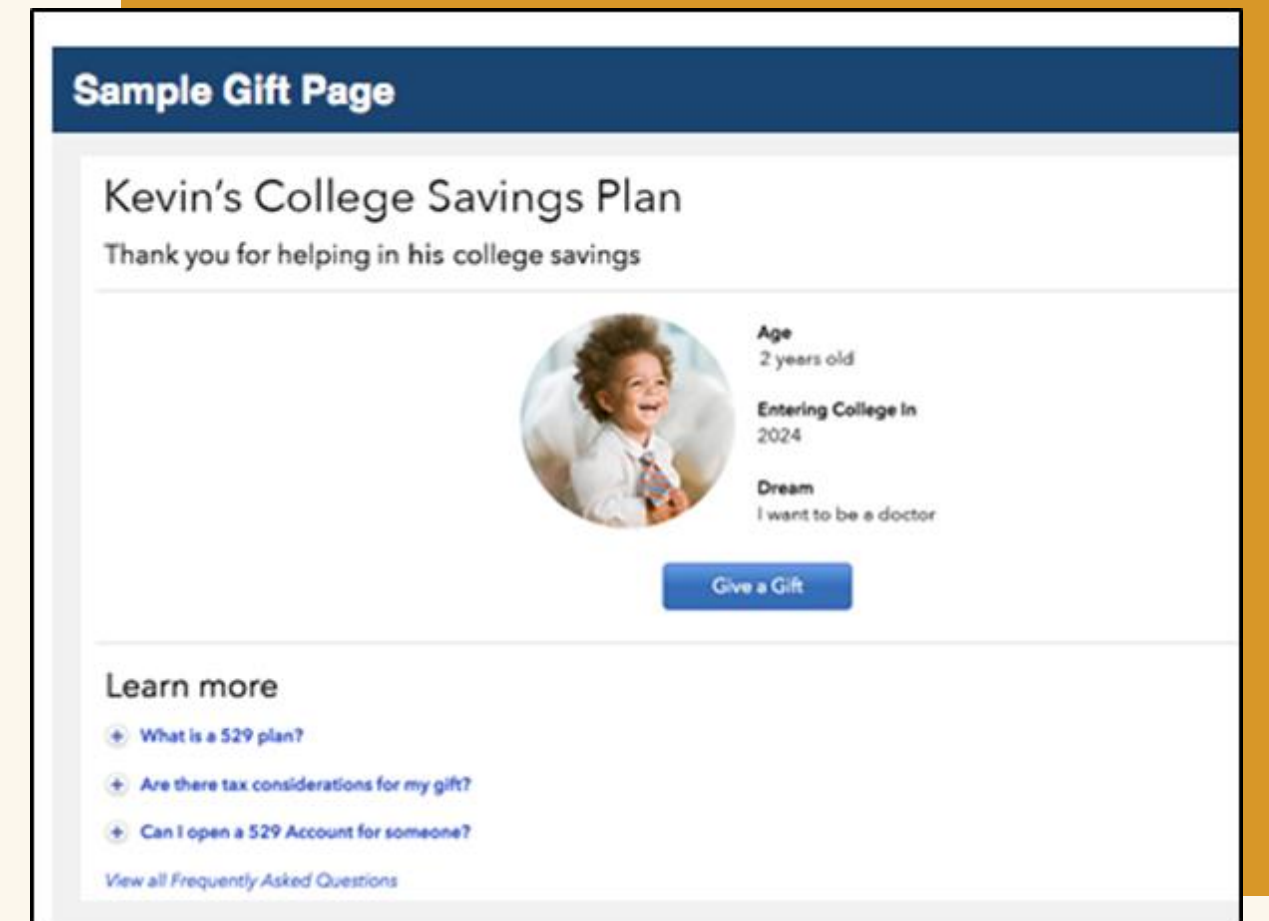
Saving for College:

STRATEGIES FOR SAVING

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Strategies for Saving

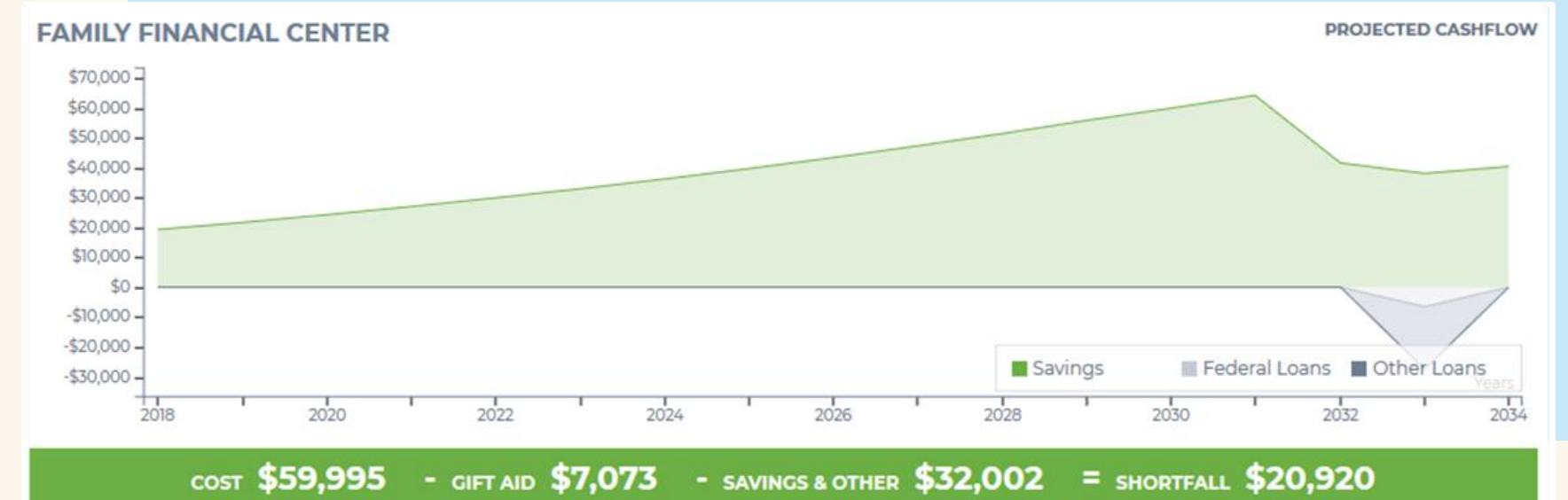
- Start saving as early as possible
 - Use time to your advantage
- Start with a goal in mind
- Take advantage of unexpected funds
- Use automatic transfers
- Get the word out
 - Tell your family & friends to contribute
- Involve your child in the process



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

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, room, board, books, supplies, transportation, & other expenses

\$54,880 per year*

4-year private

\$26,820 in-state per year*
\$43,280 out-of-state per year*

4-year public

<\$33,000 for entire education**

Vocational schools

\$9,470 per year*
(does not include room & board)

2-year public community college

* The College Board, *Trends in Student Pricing 2020* ** Value Colleges, *University, Community College, or Trade School: Which Makes the Most Economic Sense?*



**\$183.8 Billion Dollars Awarded
to Students in 2019-20**

Merit-Based Aid

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

Need-Based Aid

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



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**
- **Join MEFA's email community at mefa.org**

Connect with MEFA on Social Media



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Thank You

QUESTIONS?

Call (800) 449-MEFA (6332)
or email collegeplanning@mefa.org

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