



Saving for College with 529s

About MEFA

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



Webinar Topics

- Why Save?
- The U.Fund MA 529 Plan
- Strategies for Saving
- How Families Pay for Postsecondary Education





Why Save?

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.

Your College Savings Will Help You

- Give you more education options
- Reduce or eliminate the need to borrow loans
- Have a minimum impact on aid eligibility
- Linked to increased attendance and graduation
- Benefits all income levels

College Savings Plan Comparison

mefa.org/article/savings-comparison-chart

College Savings Comparison Chart					
	U. Plan Prepaid Tuition Program	U. Fund 529 College Investing Plan	Custodial Accounts (UGMA/UTMA)	Coverdell Education Savings Account	Taxable Account
Ownership / Control of Account	Investor	Investor	Custodian, until beneficiary reaches age of majority	Parent or legal guardian	Investor
Guidelines for Use	Covers a fixed percentage of tuition and mandatory fees for undergraduate students at over 70 public and private colleges and universities in MA	Utilize the funds for a wide range of college expenses at accredited schools nationwide, in addition to tuition expenses for K-12, certain apprenticeship costs, and student loan repayments.	<ul style="list-style-type: none">• If used before age of majority, must be used for child's benefit• No restrictions when under the control of the beneficiary	Qualified expenses (tuition, food, housing, books, required supplies) at any accredited post-secondary school, or primary or secondary education expenses, until beneficiary turns 30	None
Adjusted Gross Income Limit	None	None	None	<ul style="list-style-type: none">• Single filer: \$95-\$110k• Joint filers: \$190-\$220k (phased out)	None

529 Plans

- Signed into law in 1996 by President Clinton
- Created to offer families a federally tax advantaged way to save for college
- Each state was charged with creating its own 529 program
- Now the college investment vehicle of choice for most families
- Some features of 529 plans, such as account limit, investment options, and tax policies may differ from state to state

U.Fund 529 College Investing Plan



MEFA

ufundTM

MEFA's U.Fund College Investing Plan:
the Massachusetts 529 Plan

- Professionally managed by Fidelity Investments
- One of only 5 states with a Gold Medal Rating from Morningstar

How the U.Fund Works

- Open an account at fidelity.com/ufund
- Begin to save regularly or once in a while
- Can use for qualified education expenses
- No annual account maintenance fee or minimum investment
- Multiple investment options to choose from including actively managed portfolios, indexed portfolios, individual allocation portfolios, and FDIC-insured portfolios
- Savings can be used at any accredited college or university nationwide and even some international colleges
- Annual Contribution limit of \$19,000 per year
- No additional contributions once the beneficiary has a combined account maximum of \$500,000

What Are Qualified Education Expenses?

- Tuition
- Fees
- Housing and food
- Books and required equipment
- Costs for apprenticeships (\$10,000 annually)
- Tuition for private and public K-12 education (\$10,000 annually)
- Student loan repayment (\$10,000 in total per beneficiary)



What If?

- What if I take out money for ineligible expenses?
- Earnings will be taxed at owner's rate of income
- 10% penalty on the earnings
- In case of death, disability of the student, or scholarship, there is no 10% penalty but earnings are taxed at owner's income tax rate



529s & Financial Aid

- Financial Aid **Student Aid Index (SAI)** = your calculated contribution
- SAI formula:
 - Assumes 529s are parent assets
 - Only includes *at most* 5.6% of parent assets in the calculation
 - Only counts the student's 529, not 529s for any siblings
- A \$50,000 529 account would only add *at most* \$2,800 to the SAI
- Bottom line: 529s don't significantly affect financial aid eligibility

529 to Roth IRA Transfer

- You can now transfer unused 529 funds into a Roth IRA
- The Roth IRA must be for the same beneficiary as the 529
- The 529 account must have been open for at least 15 years
- The transfer amount must have come from contributions made at least 5 years prior
- The amount transferred annually is limited to the Roth IRA contribution limit (\$7,000)
- The maximum amount transferred over time cannot exceed \$35,000
- MEFA's blog post: [The Details on Transferring 529 Funds into a Roth IRA](#)
- According to the 2024 College Savings Indicator Study (CSI), 48% of respondents were not aware that 529 funds could be rolled over to a Roth IRA
- **Speak with your financial advisor/tax preparer if you have questions.**

BabySteps

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.

BabySteps Provides Every Child Born or Adopted in Massachusetts \$50 for College



Did you know you may be eligible to receive \$50 to put toward your child's college savings? The funds are provided through BabySteps, which contributes a \$50 seed deposit into a [U.Fund 529 account](#).

Open a U.Fund 

How Does It Work?

To receive the \$50 deposit, a MEFA U.Fund 529 College Investing Plan account must be opened in the child's name within one year of birth or adoption.

To be eligible:

Massachusetts Tax Benefits

- Contributions to the 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
- According to the 2024 CSI Study, 66% of respondents said they would be more likely to save if Massachusetts offered a tax deduction. The U.Fund offers this incentive.

Setting up a U.Fund: What You'll Need

Owner: (Parent or Other Adult)

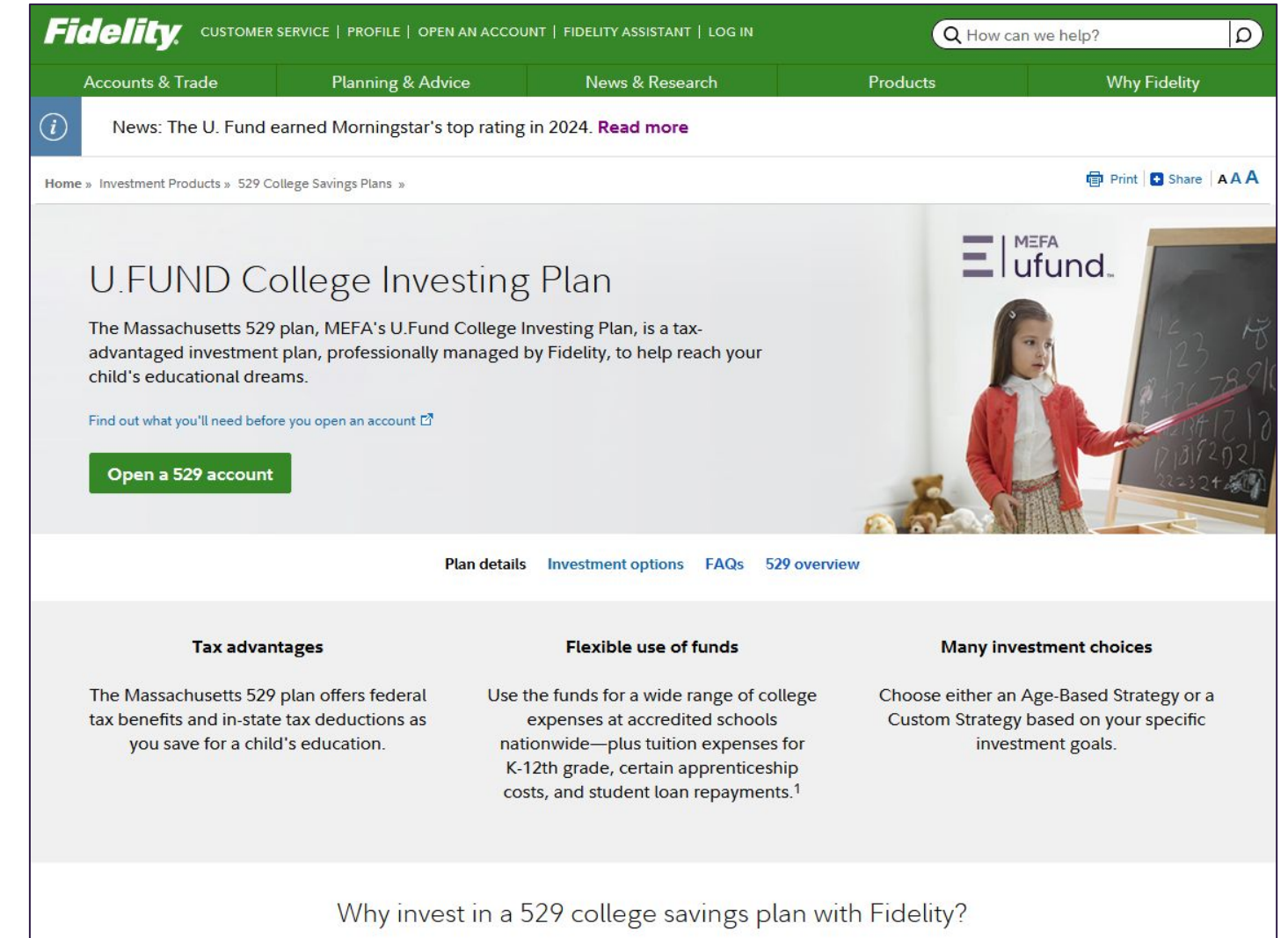
- Name
- Social Security Number or EIN
- Date of Birth
- Legal Address
- Phone Number
- Email Address
- Employer Info (if employed)

Beneficiary: Student

- Name
- Social Security number
- Date of Birth
- Legal Address

Setting up a U.Fund

- Visit fidelity.com/ufund
- Click on the *Open a 529 account* button
- Use your information to complete the application
- Call Fidelity at 800-544-2776 for questions regarding the application
- Watch the walk-through video on mefa.org/ufund for step-by-step guidance

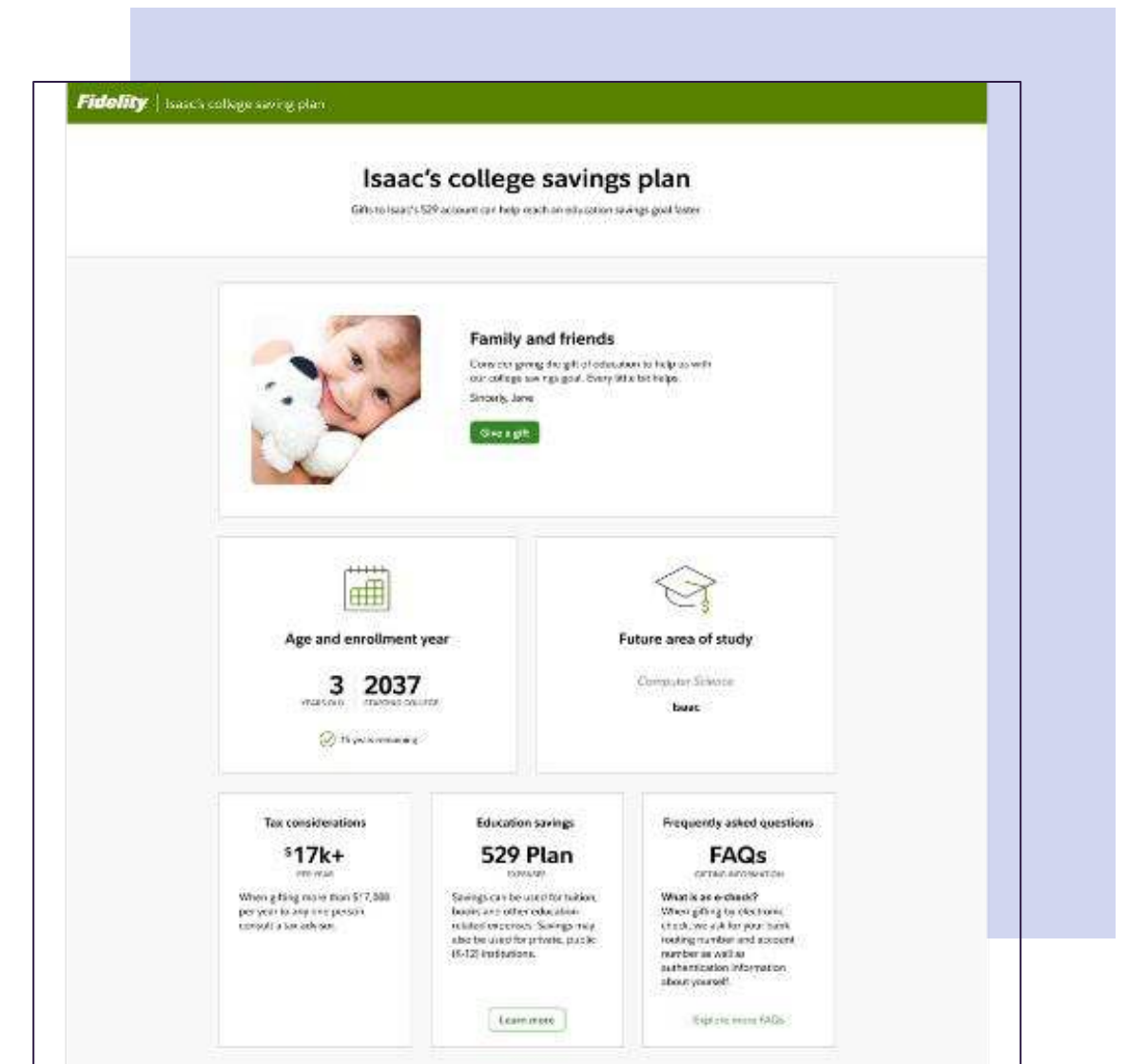




Strategies for Saving

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
 - Ask your family & friends to contribute
- Involve your child in the process



College Savings Calculator

MEFA

College & Career Planning ▾

Ways to Save ▾

Ways to Pay ▾

About MEFA ▾

Resource Center

Sign Up for Emails

Log In

Explore Ways to Save

Understand the Costs

Estimate Your Savings

Initial Deposit

\$ 50

Age of Child

Newborn ▾

Monthly Investment

\$ 75

Calculate

Cost Breakdown

Savings When Your Child Turns 18 Will Be*

\$32,479

Contributions

\$16,250

Interest Earned

\$16,229

*This calculator assumes consistent monthly saving until the child is 18 and an annual investment return of 7%. The 7% investment growth rate and the estimating savings are only used as an example and are not guaranteed nor intended to predict or project the investment performance of any security. Market conditions may change at any time.



Saving vs. Borrowing



**Based on 10 years at an interest rate of 7%.
This example is an estimate only and market conditions may change.*

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%*

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



Today 89% of respondents from the 2024 CSI Study believe the value of a college education is worth the cost. You're not alone in your efforts to plan and learn how to best save for college.

Consider the Gift of College

The MEFA U.Fund Gift of College Gift Card is a great option for birthdays, holidays, graduations, or other special occasions.



How it works:

- Available in denominations from \$25 to \$200 at CVS stores across Massachusetts.
- Give the card to an expectant parent, students of all ages, college graduates, parents of young children, or an individual with an ABLE account.
- The recipient visits giftofcollege.com to redeem the card. Card funds can be put toward a college savings account, student loan debt, or an ABLE account.

How Families Pay for Postsecondary Education

Postsecondary Options

Costs include tuition, fees, room, board, books, supplies, transportation, & other expenses

\$62,990 per year*

**4-year
private**

\$15,070 for tuition
only**

**Vocational
schools**

\$29,910 in-state per
year* and \$49,080
out-of-state per year*

**4-year
public**

\$20,570 per year*

**2-year public
community
college**

* The College Board, *Trends in College Pricing*

** <https://www.bestcolleges.com/research/how-much-does-trade-school-cost/>

Types of Aid

\$190 billion* in aid awarded to students in 2023-24

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*

2024

How Do Families Pay for Postsecondary Ed?

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



47% of 2024 CSI Study respondents plan on financing the total cost of college with grants & scholarships, but in reality, savings are almost always needed to help cover costs

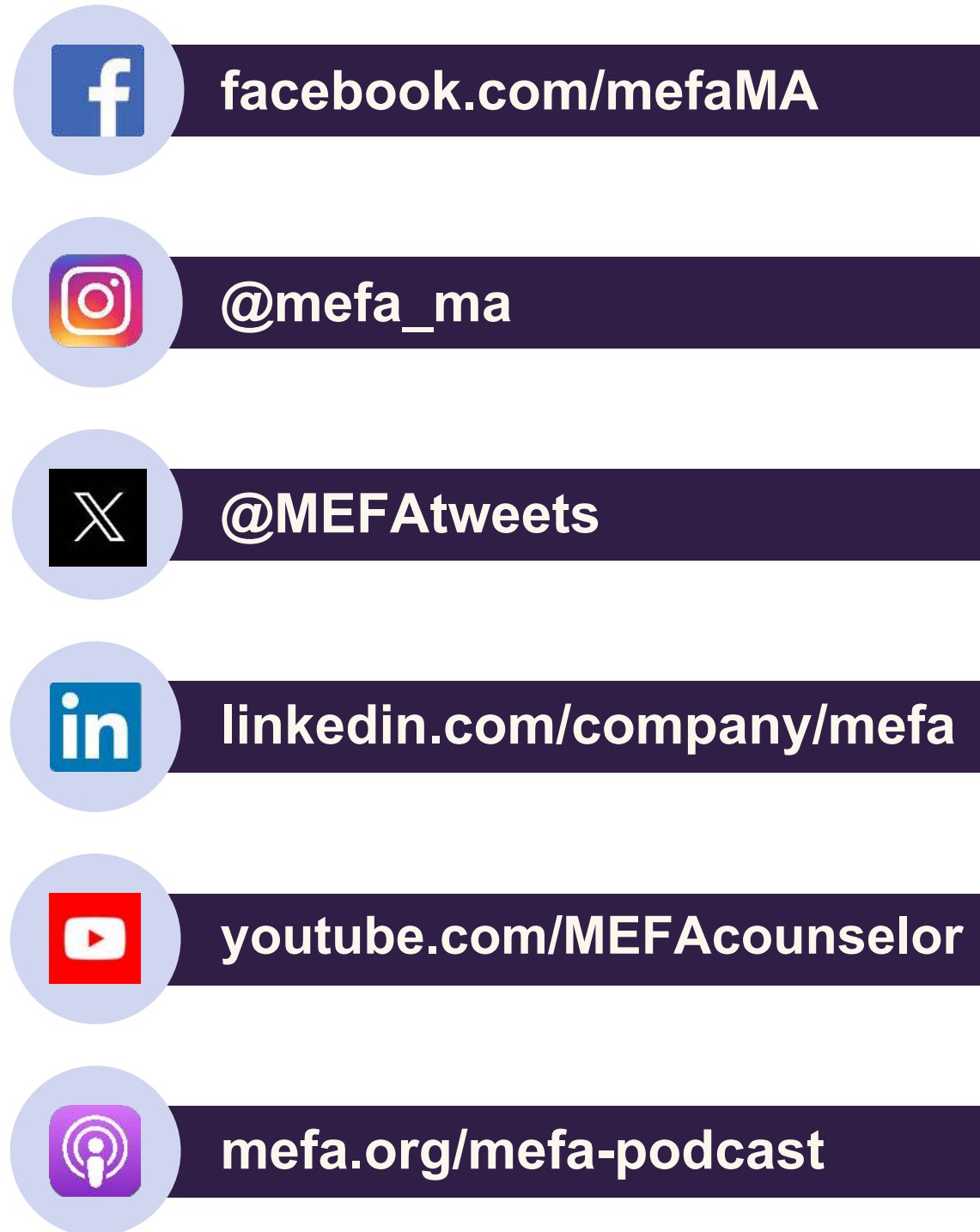
Using Your U.Fund Savings

- Contact Fidelity at 800-544-2776 or use your online account to set up a distribution
- Distributions may be made directly to a college, an eligible institution, or the owner
- Remember to keep a record of how your funds were spent
- Distributions result in a 1099-Q being generated to the owner

Next Steps

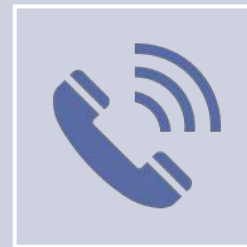
- Start (or continue) saving
- Talk to your child about college
- Use online tools to learn more about college costs
- Sign up for webinars at mefa.org/events
- Join MEFA's email community at mefa.org

Connect with MEFA



Thank You!

Questions?



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