

Saving for College

MEFATM

About MEFA

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



Webinar Topics

- Why Save?
- Two Massachusetts Options
- 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.

Benefits to Saving for College

- Gives you more education options
- Reduces or eliminates the need to borrow loans
- Has a minimum impact on financial aid eligibility
- Is linked to increased attendance and graduation
- Helps all income levels



Two Massachusetts Options

The U.Fund 529 College Investing Plan and the U.Plan Prepaid Tuition Program

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, such as account limit, investment options, and tax policies, may differ from state to state

U.Fund 529 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 \$20,000 per year
- No additional contributions permitted 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
- Apprenticeships (\$10,000 annually)
- Credential programs & expenses
- Tuition, books, test fees, tutoring, & therapies for K-12 education (\$20,000 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
- What if there is a case of death, disability of the student, or scholarship?
 - There is no 10% penalty but earnings are taxed at owner's income tax rate



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 article: *The Details on Transferring 529 Funds into a Roth IRA*
- Speak with your financial advisor/tax preparer if you have questions
- 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

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:

NextSteps Program

Any child who is a Massachusetts resident and has their first U.Fund account opened between the ages of 1 and 3 and adds \$50 in contributions to the U.Fund account within one year of account opening will receive a matching contribution of \$50 from the NextSteps Program.



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
- Percentages are locked in and bonds are purchased each July
- To learn more about the U.Plan visit 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?
 - U.Plan funds cannot be sent to a college for graduate education
- Are there tax consequences for cashing out?
 - Distributions from the U.Plan, whether cashed out or sent to a college, carry no Massachusetts or federal tax consequences

Participating U.Plan Colleges & Universities

American International College	Fisher College	Northeastern University
Amherst College	Fitchburg State University	Northern Essex Community College
Anna Maria College	Framingham State University	Quinsigamond Community College
Assumption College	Gordon College	Regis College
Babson College	Greenfield Community College	Roxbury Community College
Bay Path College	Hampshire College	Salem State University
Benjamin Franklin Institute of Technology	Hellenic College	Simmons University
Bentley College	Holyoke Community College	Smith College
Berklee College of Music	Laboure College	Springfield College
Berkshire Community College	Lasell College	Springfield Technical Community College
Boston College	Lesley University	Stonehill College
Boston University	Massachusetts Bay Community College	Suffolk University
Bridgewater State University	Massachusetts College of Art and Design	University of Massachusetts Amherst
Bristol Community College	Massachusetts College of Liberal Arts	University of Massachusetts Boston
Bunker Hill Community College	Massachusetts Maritime Academy	University of Massachusetts Dartmouth
Cape Cod Community College	Massasoit Community College	University of Massachusetts Lowell
Clark University	Merrimack College	Wellesley College
College of the Holy Cross	Middlesex Community College	Wentworth Institute of Technology
Curry College	Montserrat College of Art	Western New England University
Dean College	Mount Holyoke College	Westfield State University
Elms College	Mount Wachusett Community College	Wheaton College
Emerson College	New England Conservatory of Music	Worcester Polytechnic Institute
Emmanuel College	Nichols College	Worcester State University
Endicott College	North Shore Community College	

Massachusetts Tax Benefits

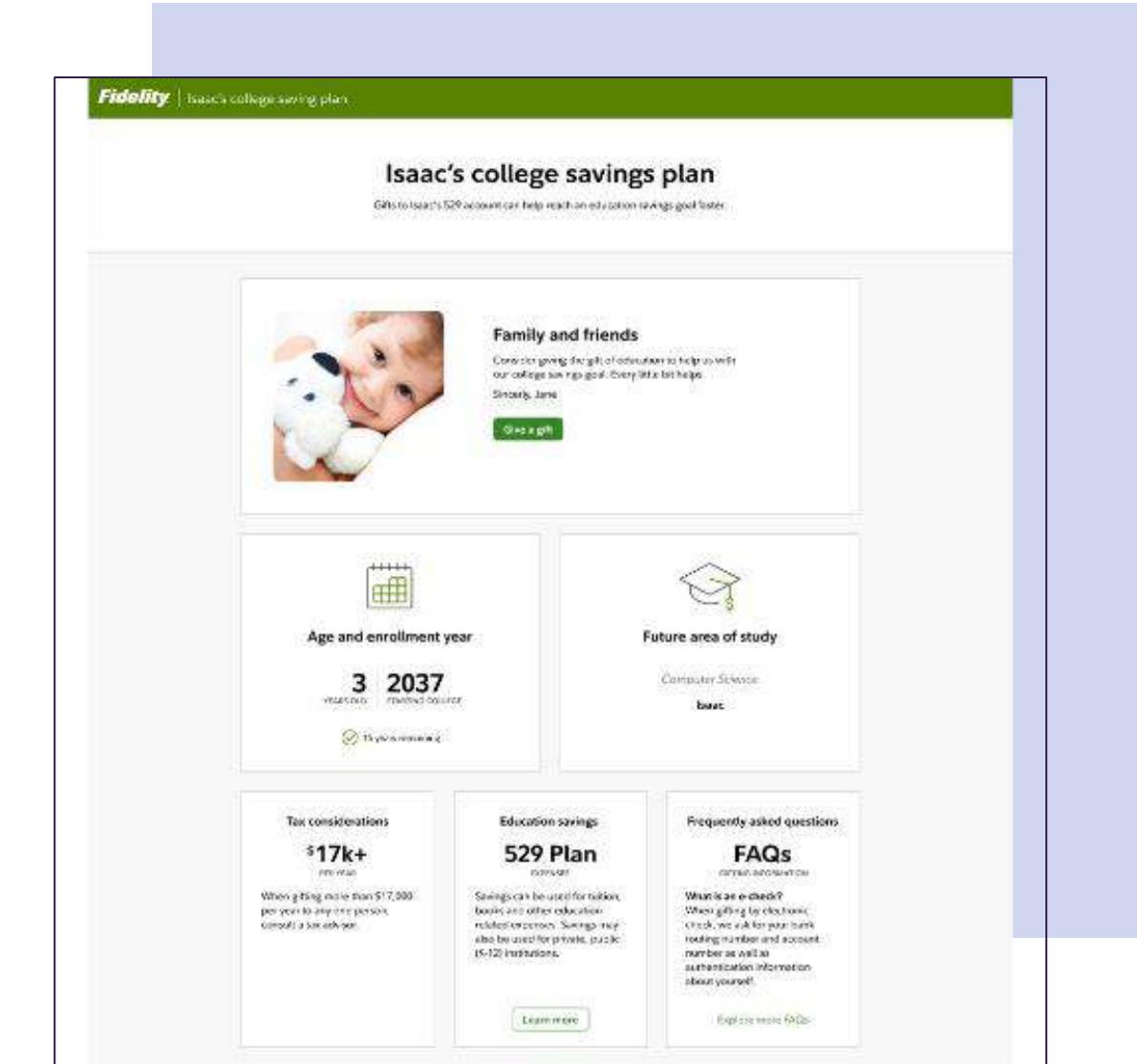
- Contributions to the U.Fund and U.Plan are MA state tax deductible
 - Up to \$2,000 for married filers
 - Up to \$1,000 for individual filers
- Limits are per filer, not per account
- According to the 2024 CSI Study, 66% of respondents said they would be more likely to save if Massachusetts offered a tax deduction; the U.Fund and U.Plan offer this incentive



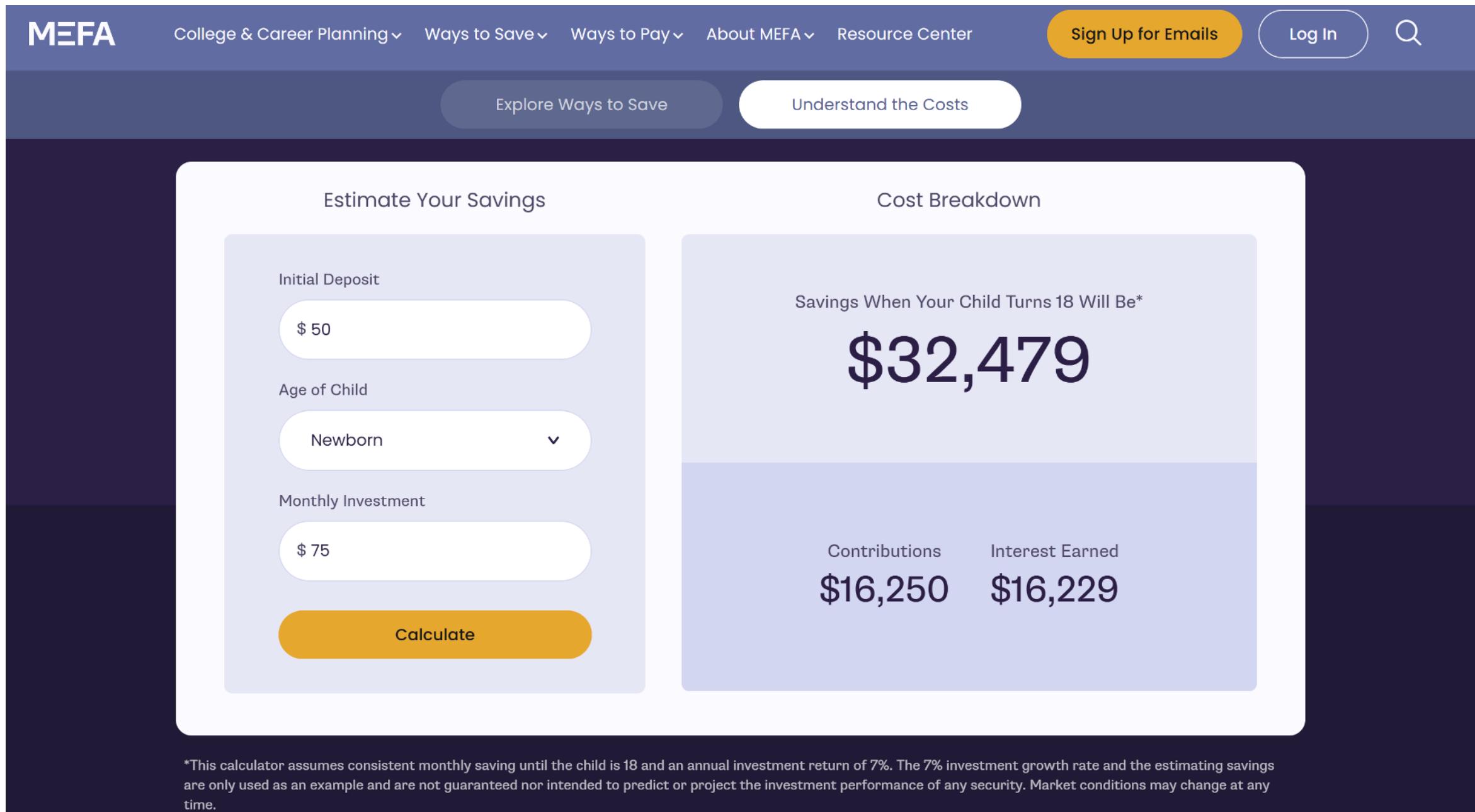
Strategies for Saving

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



Use MEFA's College Savings Calculator



The screenshot shows the MEFA website's college savings calculator. The top navigation bar includes links for College & Career Planning, Ways to Save, Ways to Pay, About MEFA, Resource Center, Sign Up for Emails, Log In, and a search icon. Below the navigation is a dark blue header with 'Explore Ways to Save' and 'Understand the Costs' buttons. The main content area is divided into two sections: 'Estimate Your Savings' on the left and 'Cost Breakdown' on the right. The 'Estimate Your Savings' section contains input fields for 'Initial Deposit' (\$50), 'Age of Child' (Newborn), and 'Monthly Investment' (\$75), with a 'Calculate' button. The 'Cost Breakdown' section displays the total savings when the child turns 18: '\$32,479', broken down into 'Contributions' (\$16,250) and 'Interest Earned' (\$16,229). A small note at the bottom states: '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.'



Use 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



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.

Take Advantage of 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?



Take Advantage of 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%*

Consider the Gift of College

The MEFA 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, Cumberland Farms, and Stop & Shop stores across MA and at mefa.org/giftcard
- Give the card to any student, expectant or young parent, college graduate, or individual with an ABLE account
- 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, housing, food, books, supplies, transportation, & other expenses

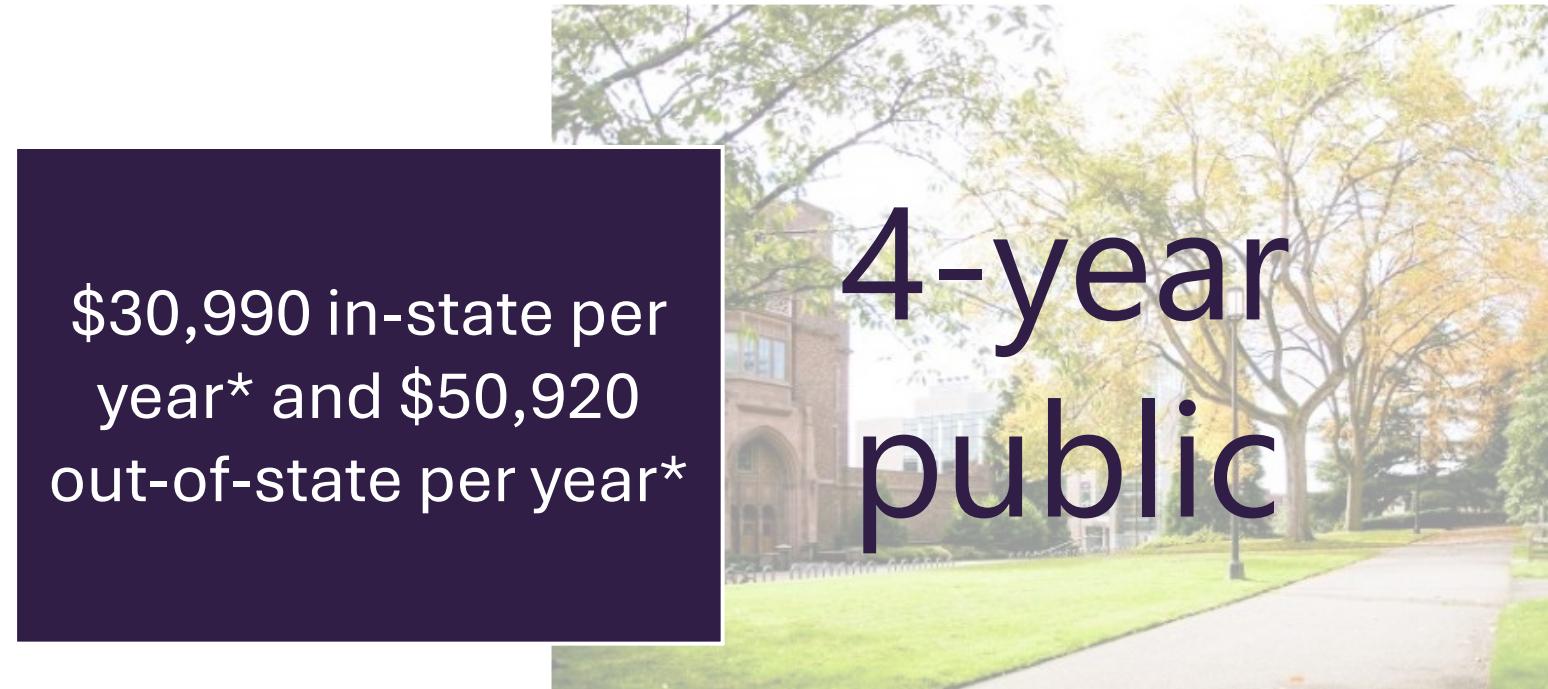
\$65,470 per year*

4-year
private



\$30,990 in-state per year* and \$50,920 out-of-state per year*

4-year
public



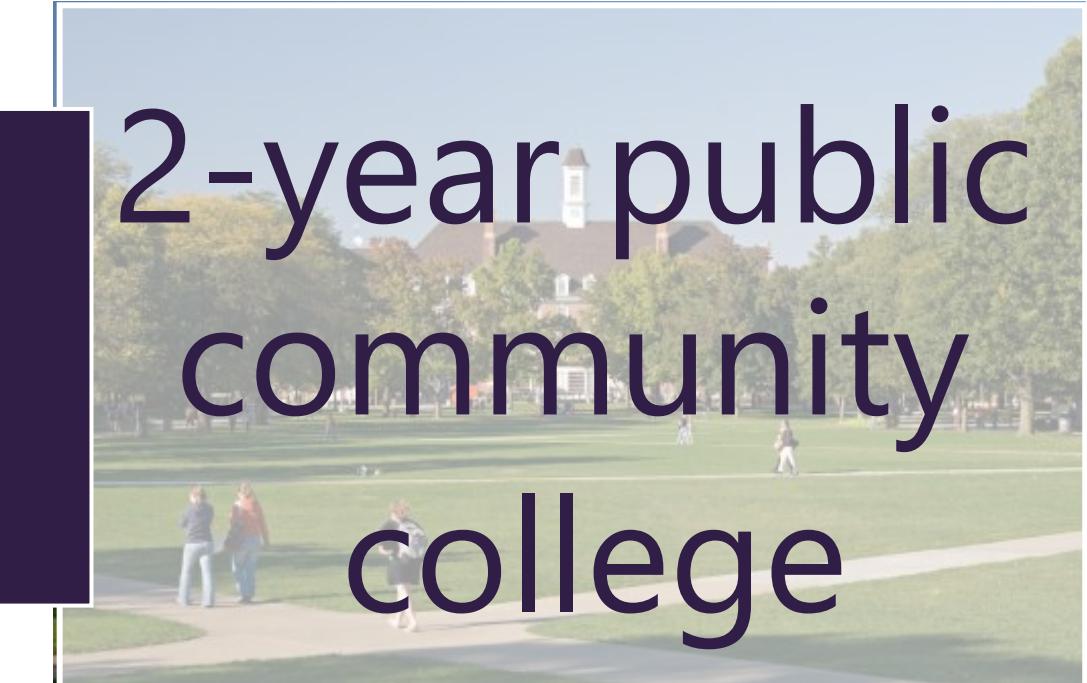
\$15,070 for tuition only**

Vocational
school



\$21,320 per year*

2-year public
community
college



* The College Board, *Trends in College Pricing 2025*

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

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Types of Aid

\$205 billion* in aid awarded to students in 2024-25

Merit-Based Aid

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

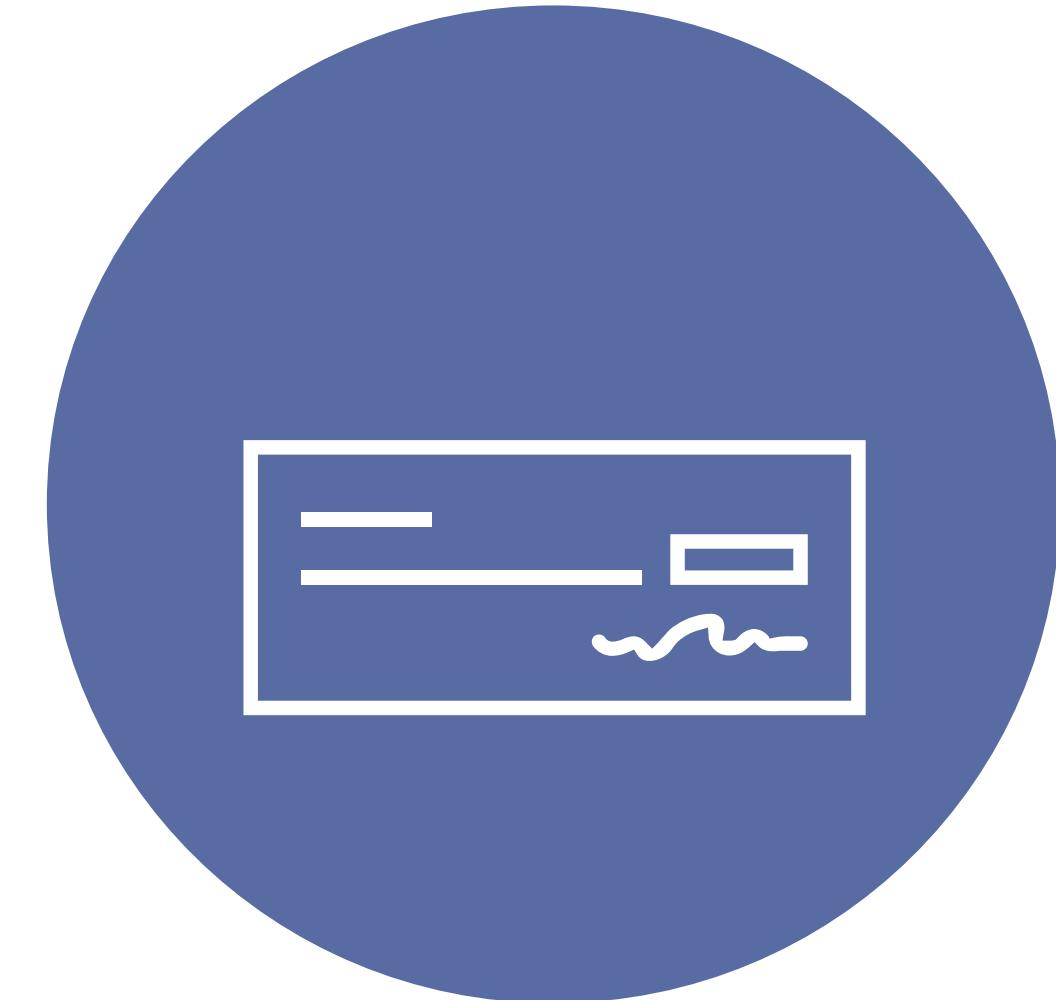
Need-Based Aid

- 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

Steps for Savers

- 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/webinars
- Join MEFA's email community at mefa.org

Things To Do



Register for upcoming MEFA Institute webinars and complete lessons to earn PDPs.



Share MEFA resources with families

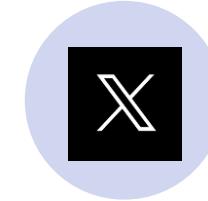
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mefa.org/mefa-podcast

Thank You!

Questions?



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