

## Saving for College

# 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



**MEFA**

**ufund**<sup>TM</sup>

- 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](https://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](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?
  - 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  
Amherst College  
Anna Maria College  
Assumption College  
Babson College  
Bay Path College  
Benjamin Franklin Institute of Technology  
Bentley College  
Berklee College of Music  
Berkshire Community College  
Boston College  
Boston University  
Bridgewater State University  
Bristol Community College  
Bunker Hill Community College  
Cape Cod Community College  
Clark University  
College of the Holy Cross  
Curry College  
Dean College  
Elms College  
Emerson College  
Emmanuel College  
Endicott College

Fisher College  
Fitchburg State University  
Framingham State University  
Gordon College  
Greenfield Community College  
Hampshire College  
Hellenic College  
Holyoke Community College  
Laboure College  
Lasell College  
Lesley University  
Massachusetts Bay Community College  
Massachusetts College of Art and Design  
Massachusetts College of Liberal Arts  
Massachusetts Maritime Academy  
Massasoit Community College  
Merrimack College  
Middlesex Community College  
Montserrat College of Art  
Mount Holyoke College  
Mount Wachusett Community College  
New England Conservatory of Music  
Nichols College  
North Shore Community College

Northeastern University  
Northern Essex Community College  
Quinsigamond Community College  
Regis College  
Roxbury Community College  
Salem State University  
Simmons University  
Smith College  
Springfield College  
Springfield Technical Community College  
Stonehill College  
Suffolk University  
University of Massachusetts Amherst  
University of Massachusetts Boston  
University of Massachusetts Dartmouth  
University of Massachusetts Lowell  
Wellesley College  
Wentworth Institute of Technology  
Western New England University  
Westfield State University  
Wheaton College  
Worcester Polytechnic Institute  
Worcester State University



# Massachusetts Tax Benefits

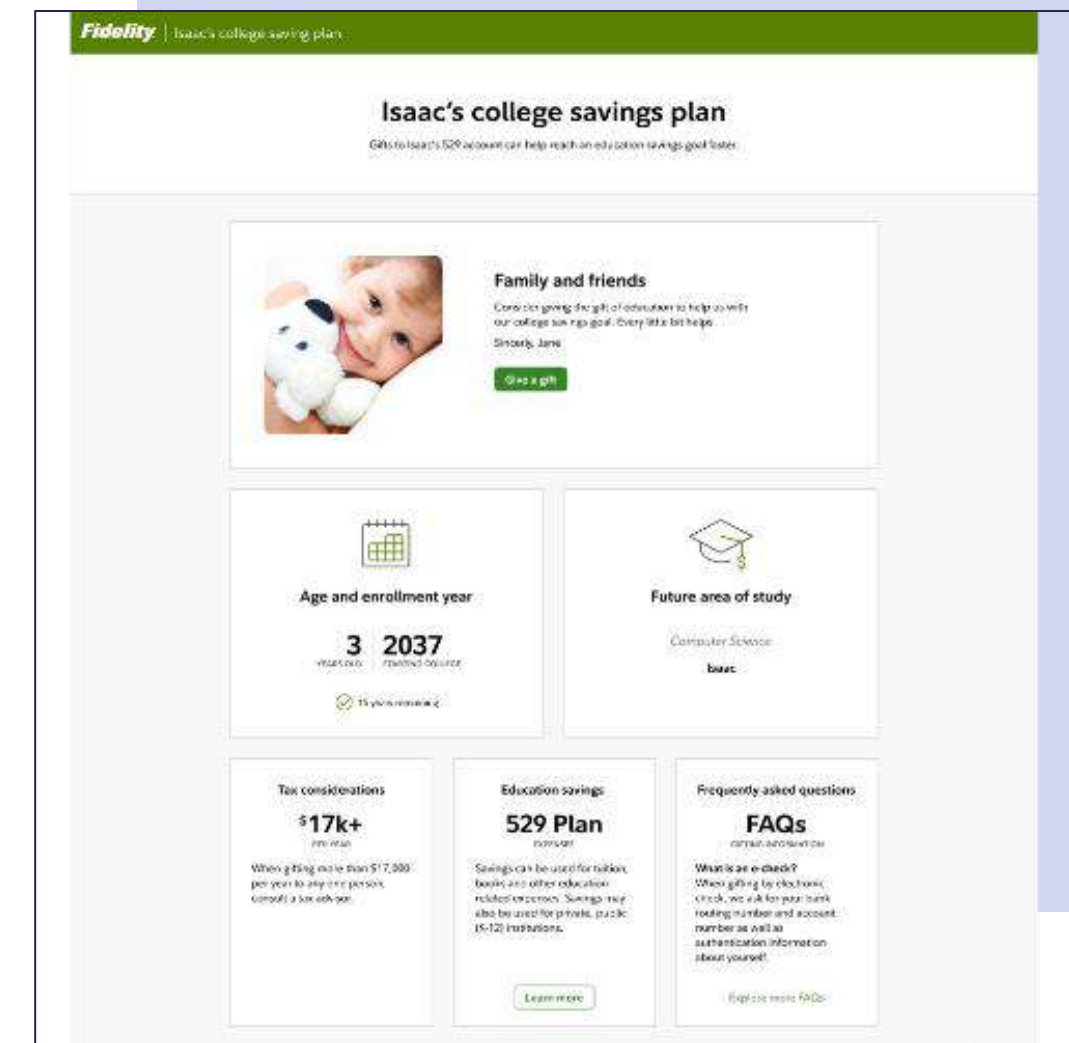
- Contributions to the U.Fund and U.Plan are MA state tax deductible
  - Up to \$2,000 for married filers
  - Up to \$1,000 for individual filers
- Limits are per filer, not per account
- According to the 2024 CSI Study, 66% of respondents said they would be more likely to save if Massachusetts offered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

MEFA

College & Career Planning ▾Ways to Save ▾Ways to Pay ▾About MEFA ▾Resource Center

Sign Up for EmailsLog In

Explore Ways to SaveUnderstand 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.



# 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](https://mefa.org/giftcard)
- Give the card to any student, expectant or young parent, college graduate, or individual with an ABLÉ account
- Card funds can be put toward a college savings account, student loan debt, or an ABLÉ 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

\$15,070 for tuition  
only\*\*

Vocational  
school

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

4-year  
public

\$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](https://mefa.org/webinars)
- Join MEFA's email community at [mefa.org](https://mefa.org)



# Things To Do



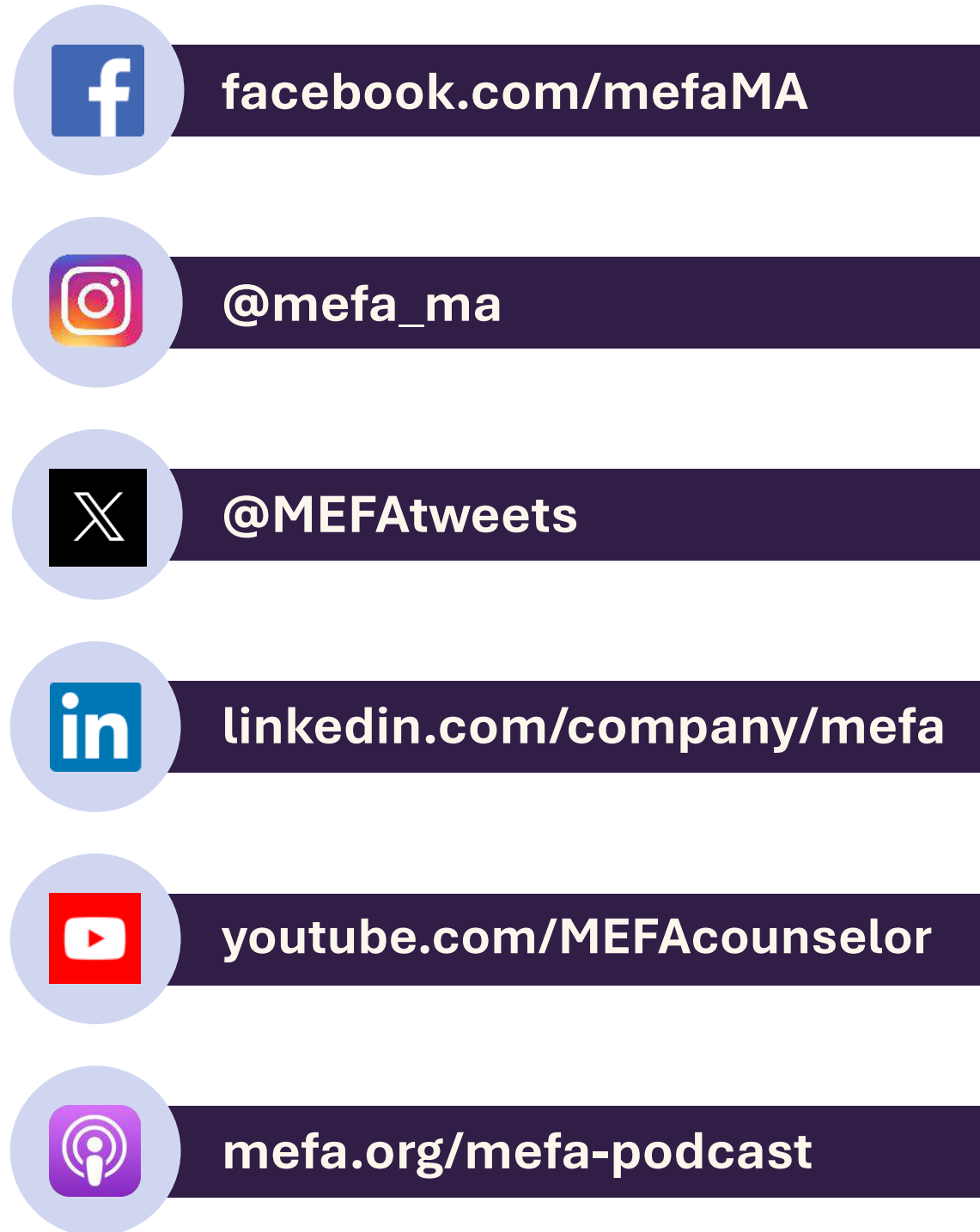
Register for upcoming MEFA  
Institute webinars and complete  
lessons to earn PDPs.



Share MEFA resources  
with families



# Connect with MEFA



# Thank You!

## Questions?



**(800) 449-MEFA (6332)**



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