Good <MORNING, AFTERNOON, EVENING> everyone and welcome.

My name is <INSERT NAME> and I represent <INSERT COMPANY NAME>.

In this presentation on College Planning, we'll look at how much college costs today, projected costs for the future, and the building blocks that go into funding a college education. We'll look at different tax-advantaged ways to save for college, and we'll also examine the role of financial aid.

At the end of the presentation, I'd be happy to answer any questions you may have.

[V23N1]

Saving for College

Fitting College Savings into Your Budget

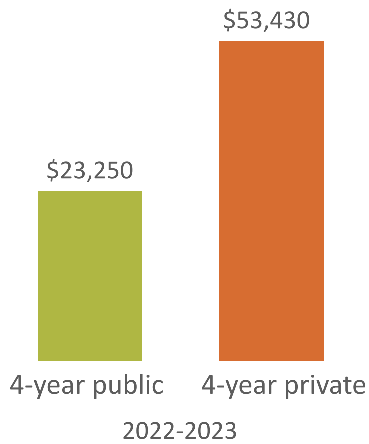
We all know the benefits of a college education – the ability to compete in today's competitive job market, increased earning power, and expanded horizons. But if you're like most parents, there are a lot of demands competing for your hard-earned dollars:

<CLICK> the costs associated with a new baby or growing children,
<CLICK> monthly mortgage or rent payments,
<CLICK> monthly car payments,
<CLICK> contributions to your retirement plans,
<CLICK> your own student loans, and
<CLICK> maybe even a vacation now and then.

Add in the costs of bills and unforeseen emergencies, and it's hard to imagine how you might fit in saving for college, too. And yet, it's imperative that you start your child's college fund as soon as you can.

Saving for College

The Cost of College Now



Cost figures include direct billed costs of tuition, fees, room, and board.

Source: College Board, Trends in College Pricing and Student Aid 2022

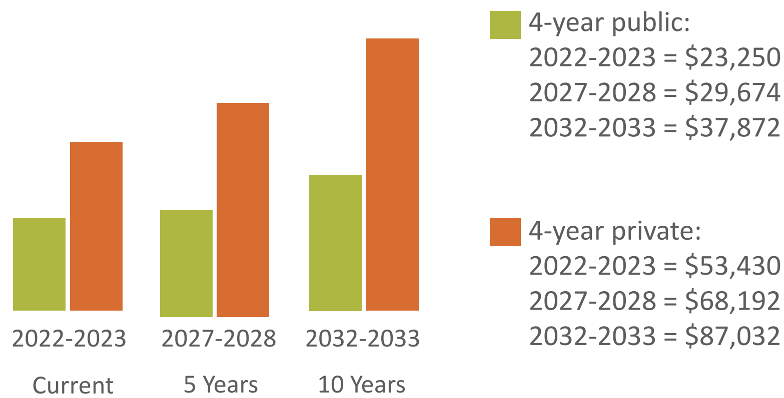
Why do you need to start saving for college now? The answer is the high cost of a college education.

According to the College Board, the current average cost for one year of tuition, fees, room, and board at a public college is $23,250 and $53,430 at a private college, though many private colleges cost substantially more. These figures include direct costs only — the costs that are actually billed to you. They don't include costs for books, personal expenses, or transportation, which can vary by student.

Multiply each figure by four and you can see how expensive college really is. And we haven't even factored in college inflation yet.

Saving for College

The Future Cost of College



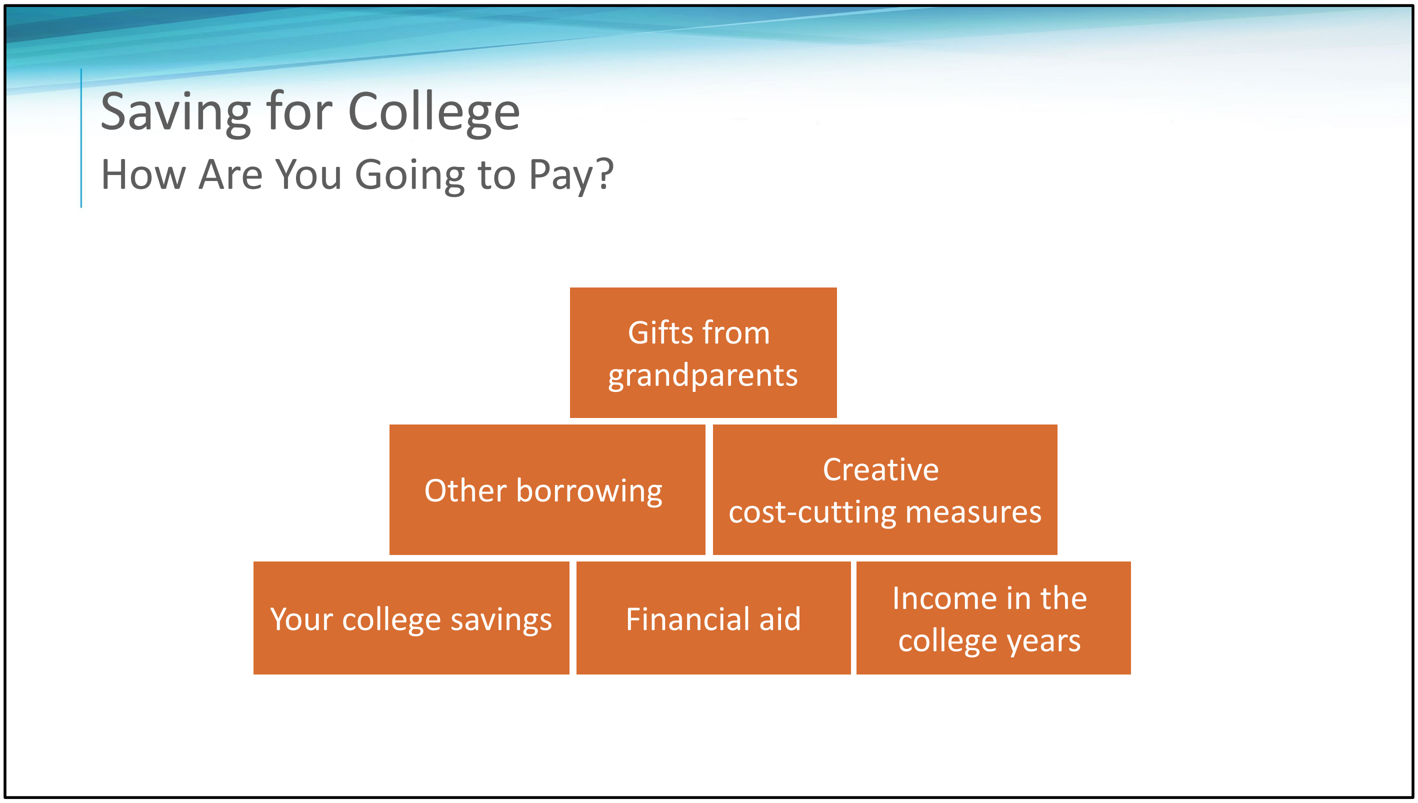
Projected costs based on annual 5% college inflation rate

College inflation refers to the percentage by which college costs increase each year. Over the past two decades, college inflation has generally increased at a rate of more than double the rate of general inflation, with the exception of last year when general inflation was really high.

This chart shows how much college might cost in the future, starting with current cost figures and a college inflation rate of 5%. As you can see, in about 10 years, the cost of one year at a public college could be over $37,000, while the cost of one year at a private college could be $87,000!

It's likely college costs will continue to rise each year. Annual increases in the range of 3% to 5% would certainly be in line with historical trends. But keep in mind that the actual percentage increase in any given year could be higher or lower, and the rate could vary from public to private college.

What does this mean for you? Just that on top of the high cost of college now, college costs will keep increasing, which will add to the amount you'll ultimately need to save. Now before you throw up your hands in despair at these daunting numbers, I have some good news.



And the good news is that the money you save for college will probably play only one part – albeit a big part – in the successful financing of your child's college education. Think of your college savings as just one block in a block tower. In addition to your college savings, some of your child's education costs may be covered by:

<CLICK> financial aid, which may include student loans, grants, scholarships, and work-study from both the federal government and your child's college,
<CLICK> your income during the college years, plus any part-time job earnings from your child,
<CLICK> other borrowing options during the college years, such as a home equity loan,
<CLICK> creative cost-cutting measures, such as having your child attend a community college for two years before transferring to a four-year college, or encouraging your child to choose an accelerated program where he or she can graduate in three years instead of four, and
<CLICK> perhaps, gifts from grandparents or other relatives.

So even though college costs are high, think of your savings as a down payment of sorts on the total cost, similar to a down payment on a home. A good benchmark is to aim to save at least 50% of your child's projected college costs.

Setting a Savings Goal

Monthly Investment	5 years	10 years	15 years
$100	$6,977	$16,388	$29,082
$300	$20,931	$49,164	$87,246
$500	$34,885	$81,940	$145,409

Figures are based on a 6% average annual after-tax return. This hypothetical example is used for illustrative purposes only and does not represent the performance of any specific investment. Fees and expenses are not considered and would reduce the performance shown if they were included. Actual results will vary. This illustration assumes a fixed annual rate of return, but rates of return will vary over time, particularly for long-term investments.

This table shows how your college fund can grow over a period of years if you invest a certain amount of money each month and earn a certain rate of return. The figures here assume an average after-tax return of 6%. Under these assumptions, if you were to save $100 a month for 15 years, you would have almost $30,000 in your child's college fund. The sooner you start saving, the more time your money will have to potentially grow.

Now you may be thinking back to the first slide where we looked at all the demands on your hard-earned dollars, and you may be thinking, "I can't possibly save $200 or $300 a month..." A good plan is to start with whatever amount you can afford and add to it over the years with things like raises, bonuses, tax refunds, and unexpected windfalls. And as your child gets older, he or she can also contribute to the fund by earmarking a portion of birthday or graduation money, as well as earnings from a part-time job. The important thing is to start saving, even if it's not as much as you'd like.

The next topic we're going to address is where to put your money.

You have several college savings options to choose from. Some of the most popular include 529 plans, Coverdell Education Savings Accounts, mutual funds, stocks, and exchange-traded funds, bank savings accounts, money market funds, certificates of deposit, and Roth IRAs. Even though Roth IRAs are first and foremost a retirement savings vehicle, some parents have found they work pretty well as a college savings tool, too.

Some of these options are taxable and others aren't, which I'll talk about more in a moment.

Before I do, though, I'd like to mention that we aren't going to spend time talking about traditional savings accounts, money market funds, or certificates of deposit. That's because these vehicles can be a good place to park your short-term savings, but they probably shouldn't be the core of your long-term savings strategy because their rates of return won't help you keep up with college inflation, and they don't offer any special tax advantages for college savers.

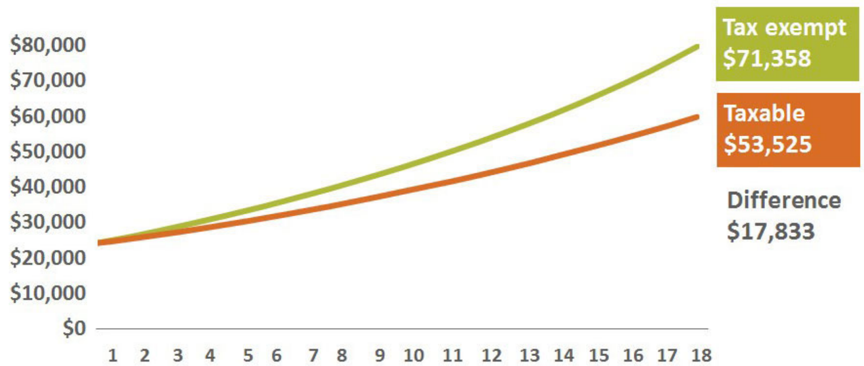
Instead, we're going to focus on the options that do offer some type of federal tax advantage if they're used to save for college. These include:

- 529 plans
- Coverdell Education Savings Accounts, and
- Roth IRAs

Why the focus on tax-advantaged strategies? Well, taxes can take a bite – sometimes a pretty significant bite – out of your overall college nest egg depending on the type of account you use to save. To get ahead in the college savings game, you should use tax-advantaged strategies whenever possible. Let's look at an example.

College Savings Options

Taxable vs. Tax-Free



Figures are based on a $25,000 initial investment and assume a 6% average annual return and a total combined federal and state tax rate of 28%. This is a hypothetical example and is not intended to reflect the actual performance of any specific investment, nor is it a guarantee of future value. The lower maximum tax rates on capital gains and qualified dividends, as well as the tax treatment of investment losses, would make the taxable investment more favorable than is shown on this chart.

This chart shows the impact taxes can have on your college savings, assuming an initial investment of $25,000 when a child is born, a 6% annual return, and a total federal and state tax rate of 28%. The orange line represents a taxable investment, such as a mutual fund held in your name, while the green line is an investment that's completely tax exempt at the federal level, such as a 529 plan.

Over 18 years, that $25,000 in your mutual fund would have grown to $53,525, while that same amount in your 529 plan would have grown to $71,358, a difference of almost $18,000. That's a lot of money for doing nothing other than saving in one account versus another.

Now let's talk about 529 plans, one of the most common tax-advantaged college savings options.