

# Saving for College:

Making higher education a reality



Educating future generations is an important responsibility. Pursuing a college degree is a momentous, rewarding and financially significant decision that many families will make.

Although more Americans are getting help from scholarships and tax incentives, the net cost of college is eating up a higher share of some families' income.

Finding a way to meet tuition needs can be challenging. There are several strategies to set money aside, including education IRAs, trusts and withdrawals from Roth contributions. One of the most popular funding techniques is called a **529 savings plan**.

### The advantages of a well structured 529 plan:

A 529 plan is a state-sponsored investment program set up with help of banks and mutual fund companies. – allowing upside potential from stock market gains<sup>1</sup>

Funds invested grow tax-deferred and withdrawals to pay for college costs are free from federal income tax

Contribution limits are flexible and vary by state

### While the 529 plan can be very beneficial, there are a few limitations:

Stock market fluctuations may impact the overall value of the account

Limitations on distribution if the child does not pursue a higher education

Expenses, like travel to and from school, health insurance and other incidental costs, do not qualify as higher education expenses

Generally monies invested in 529 plan are taken into consideration when items such as student loans and financial aid are discussed, possibly reducing loan/aid amount

Due to these limitations, it can be helpful to consider ways to supplement the money you have invested in a 529 plan. One alternative is to use cash value withdrawals from permanent life insurance.

### A life policy:

Does not have income or contribution limitations like a 529 plan

Is not considered if you are seeking financial aid opportunities

May be used for any type of future expense – college or otherwise<sup>2</sup>

Has an income tax free death benefit that can help cover costs, including education, if you pass away<sup>3</sup>

A properly structured life insurance policy can not only provide valuable benefits to your loved ones in the case of your death; it can also be an important source for a tax efficient supplemental income to pay for higher education.

From the moment they take their first steps to when they step across the stage to receive their diploma, the benefits and flexibility of your life insurance policy allows you to save for the future and enrich the lives of those most important to you.

### For more information, please contact:

<sup>1</sup> Internal Revenue Code §529

<sup>2</sup> IRC Section 72

<sup>3</sup> IRC Section 101(a)(1)

Neither the company, nor its agents give tax, accounting or legal advice. Please consult with your professional advisor in these areas.