

Education Planning



Presented by:

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Updated as of 9/28/23

Tracking Number: 5583082

About Baird

- International financial services firm
- Employee-owned, privately held with 80% of employees owning Baird Stock
- Founded in 1919, headquartered in Milwaukee, WI
- For 20 years in a row Baird is recognized as one of *Fortune* 100 Best Companies to Work For
- Has approximately 5,100 associates and over 200 locations in the U.S., Europe and Asia
- Baird's clients trust us with more than \$405 billion in assets as of June 30, 2023

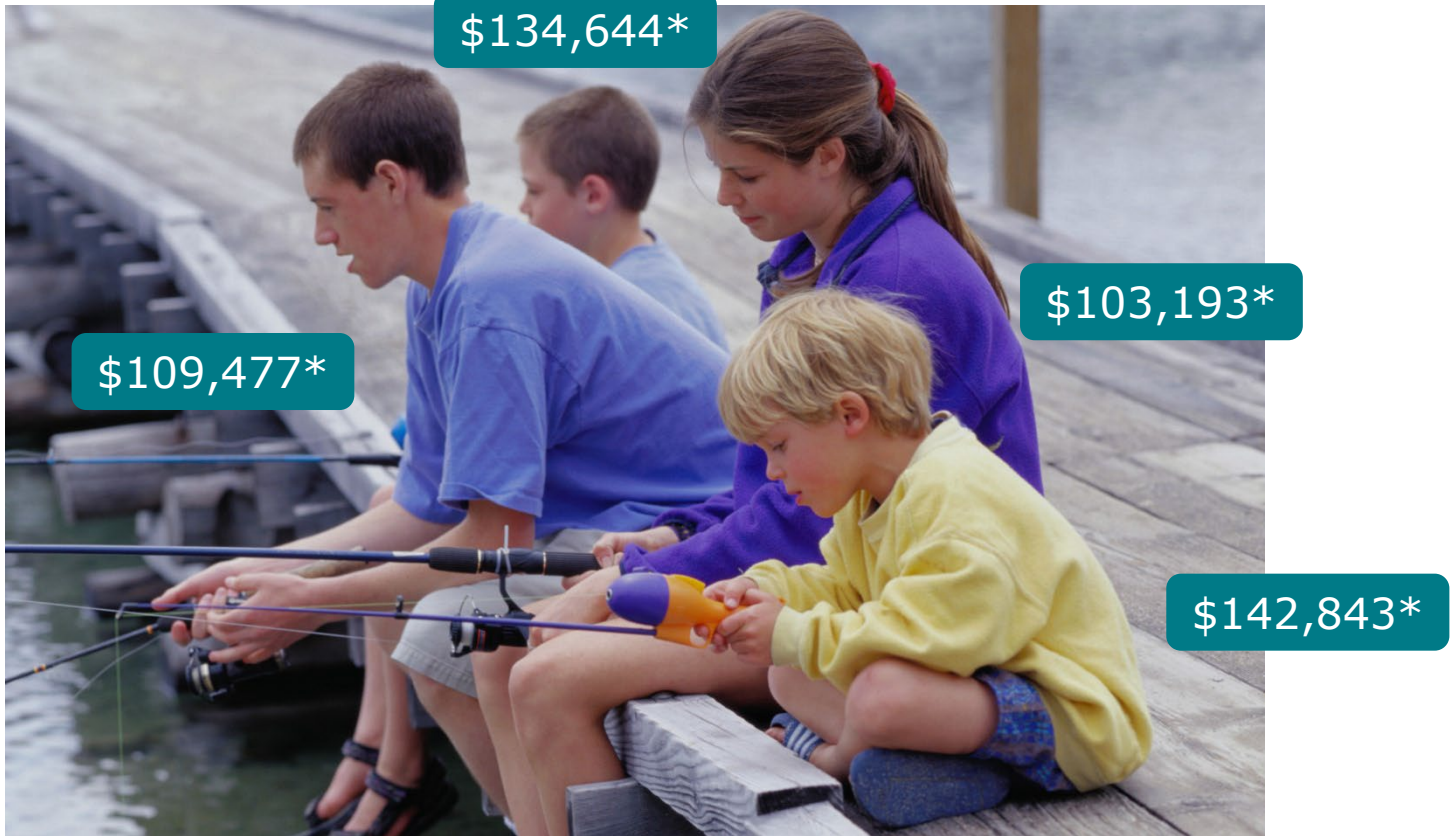
Save Today for Tomorrow's Future

Topics

- Cost of college
- Ways to save for education
- Ways to pay for education
- What's new with 529s
- How to incorporate 529s into an estate tax plan
- How new policy changes and laws may be impacting our client's education plan
- What you need to know about the financial aid process



How Much Will Public Schools Cost?



*Total cost of a public, four-year college based on the annual national average (\$23,250). Source: College Board, "Trends in College Pricing, 2022". Assumptions: These costs assume for 3.0% increase per year in projected college costs.

How Much Will Private Schools Cost?



*Total cost of a private, four-year college based on the annual national average (\$53,430). Source: College Board, "Trends in College Pricing, 2022. Assumptions: These costs assume for 3.0% increase per year in projected college costs.

Ways to Save for Education

Understand the pros and cons of each savings vehicle to determine the best way to save for your family.

- 529 College Savings Plans (Can be used towards K-12 tuition up to \$10K per year)
- Prepaid Tuition Plans
- Coverdell ESA
- Custodial Accounts: UTMA/UGMA
- U.S. Savings Bonds
- Insurance
- Roth IRAs
- Traditional IRA
- Home Equity
- Savings Account

What Is a 529 College Savings Plan

A Qualified Tuition Program under Section 529 of the IRS Code

- Covers most costs to attend college including:
 - Tuition & mandatory fees
 - Room and board (*attending at least half-time*)
 - Books, supplies and equipment required for enrollment
 - Computer technology (**PATH Act as of 1/1/15**)
 - K-12 tuition at public, private or religious school up to \$10,000 annually per beneficiary* (**Tax Cuts and Jobs Act as of 1/1/18**)
 - Fees, books, supplies, and equipment required for the participation of a designated beneficiary in an apprenticeship program* (**SECURE ACT as of 1/1/19**)
 - Student loan debt up to \$10,000 over a lifetime for a 529 plan beneficiary and \$10,000 for each of the beneficiary's sibling* (**SECURE ACT as of 1/1/19**)
- Beginning in 2024 account owners can roll 529 funds into a Roth IRA. Restrictions apply. (**SECURE 2.0 ACT**)
- Assets may be invested in a number of portfolio options available in the 529 plan
- Some states offer a state tax benefit

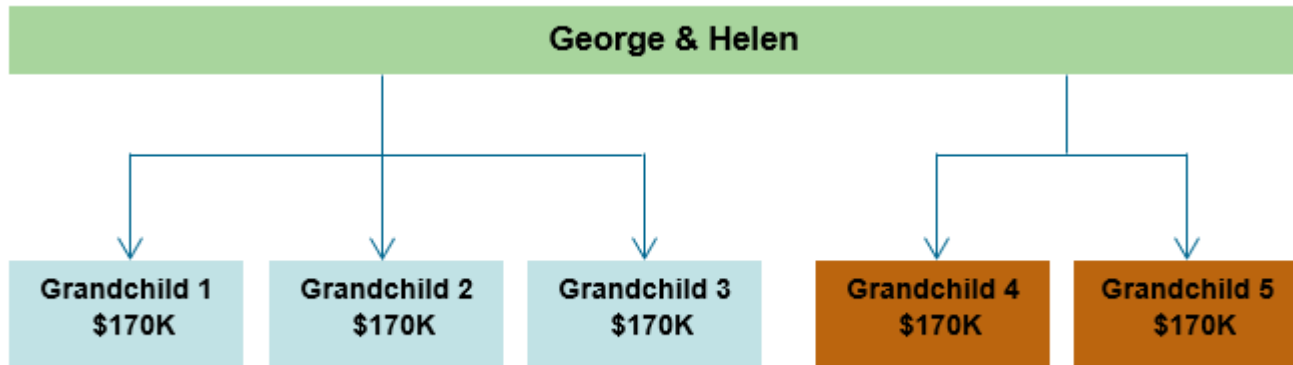
*Check with your state that you are a taxpayer of for any state tax implications.

Rolling 529 funds into a Roth IRA

1. As part of the Secure 2.0 Act beginning in 2024 account owners are able to roll 529 funds into a Roth IRA. If you meet the following requirements, consider rolling the 529 funds into a Roth IRA.
 - Amounts held in a 529 can only be rolled to a Roth IRA in the name of the same beneficiary as the 529 plan. If an individual is considered the owner of a 529 held for the benefit of a child, the Roth IRA must also be for that child.
 - The maximum rollover amount in any year is limited to the IRA contribution limit for that year (\$6,500 for 2023) reduced by any actual Traditional or Roth IRA contributions made that year. Also, there is a lifetime maximum rollover of \$35,000.
 - The 529 plan must have been opened for at least 15 years as of the date of the rollover. Also, the rollover amount is limited to any contributions made to the plan (and attributed earnings) prior to 5 years before the rollover occurs. For example, a rollover done July 1, 2024 must come from a 529 plan opened prior to July 1, 2009 and can only be made from the balance in the account prior to July 1, 2019.

Accelerated Gifting Feature for Estate Tax Planning

- Annual exclusion is \$17,000 (\$34,000 for married couples).
- Unique to 529s you can accelerate your gift up to \$85,000 per beneficiary (\$170,000 for married couples) if you elect to spread it over a 5-year period on IRS 709 form.
- This removes it from your taxable estate, and it does not get applied to your life-time gift exemption.



Debunking 529 Myths

Myth 1: If my child gets a full ride, I lose the money in my account.

Reality: You will never lose all your money in your 529.

- Only taxes and a 10% penalty is assessed on the growth portion when you take a non-qualified withdrawal
- The 10% penalty is waived when the beneficiary dies, becomes disabled, receives a scholarship or decides to attend a U.S. Military Academy

Myth 2: I can only invest in my home state's 529 plan or use my 529 funds at an in-state school.

Reality: You will want to check with your home state's plan first to see if your state offers a state tax credit or deduction on contributions. However, you are able to invest in almost any state's 529 plan. Additionally, you can use your 529 funds at any eligible institution across the nation and some foreign institutions including most 4-year and 2-year public, private, vocational and trade schools.

Debunking 529 Myths

Myth 3: My income is too high to contribute to a 529 account.

Reality: There are no income limitations on a 529.

Myth 4: I can only use my 529 funds to pay for tuition.

Reality: As we learned earlier you can use your 529 funds towards a qualified education expense including tuition, room & board, fees, books, supplies, computer technology, student loan debt, K-12 tuition and apprenticeship programs.

State tax implications may apply. Check with your state.

How New Policy Changes May Be Impacting Your Education Plan?

What is the future of 529 plans?

- 529 plans have continued to have strong support by Congress
- New legislation continues to improve 529s by adding on to the list of what is considered a qualified education expense and providing ways to use the funds if your child doesn't take the traditional college route. Most states conform or change their legislation to the federal changes.
- 529 assets continue to grow year over year

Why continue to save for education?

- Reality is, that it's very unlikely that all your student loan debt will be forgiven at anytime, or that "free tuition" can be offered to everyone. Most likely free tuition may be offered at a 2-year community school in the future but not at a traditional 4-year school.
- There is still a need to save for college including saving in a tax savings vehicle such as a 529 to covers costs beyond tuition such as computer technology, room and board, books and supplies

When Student Loan Debt Holds You Back

- According to the U.S. News data the average student loan debt for a college graduate is around \$30,000
- As of 2023 the U.S. currently has a student loan debt crisis of \$1.7 trillion
- 31% of students worry most about their student loan debt compared to other financial obligations (2017 survey)
- While 58% of student loan borrowers did not delay moving out of a family member's home after college, 42% percent did delay their move. (2017 survey)
- Among non-homeowners 83% cite student loan debt as the factor delaying them from buying a home (2017 survey)



Sources: American Student Assistance Survey, Life Delayed: The Impact of Student Debt on the Daily Lives of Young Americans, 2017 Edition

Financial Aid

FAFSA filing date is December 1st for the 2024-2025 Form

FAFSA	CSS PROFILE
Federal aid in the form of loans, grants and work-study	Non-federal institutional aid
It's free!	\$25 fee (\$16 for additional schools)
Apply up to 10 schools using one application	As many schools as you are willing to pay the fee for
Most colleges	Only participating private schools
Filing Date: 12/1	Filing Date: 10/1
You do not have to report your primary home as an asset	Dives deeper into your financials

Qualifying for Federal Financial Aid (FAFSA)

	PARENT	STUDENT	NON-PARENT
INCOME	22% - 47% of available income (<u>prior</u> , prior year look back)	50% of student income (<u>prior</u> , prior year look back)	Non-parent income is not included
ASSETS	<p>Assets not included:</p> <ul style="list-style-type: none"> Retirement Accounts such as IRAs¹, 401(k), pension funds Equity in your primary home A family-owned business ABLE accounts Insurance policies and annuities UTMA accounts for which you are the custodian on 	<p>Assets not included:</p> <ul style="list-style-type: none"> Retirement Accounts such as IRAs¹ or 401(k), pension funds <p>Assets reported on the FAFSA: (<u>account value as of the day you apply for the FAFSA</u>)</p> <p>Up to 5.6% of assets</p> <ul style="list-style-type: none"> 529 savings plan (student owned 529 where student is a dependent)² UTMA-529 (where student is a beneficiary)² Coverdell ESA (where student is owner)² <p>20% of assets owned by student</p> <ul style="list-style-type: none"> 529 savings plan (student owned 529 where student is an <u>independent</u>)² UTMA accounts for which you are the minor on Minor trusts (trust in student's name) Securities, stocks, stock options, bonds, mutual funds (in student's name) Bank accounts, CDs Real estate, rental property not including your primary home 	<p>Non-parent owned assets including grandparent owned 529 and Coverdell accounts are not included on the FAFSA</p> <p>Note:</p> <p>Regarding student's untaxed income on FAFSA</p> <p>Due to the FAFSA Simplification Act as part of the Consolidated Appropriations Act of 2021 the new law has stated that the FAFSA will no longer require the student to report money received or paid on the student's behalf as untaxed income including distributions from a non-parent owned 529 such as a grandparent owned 529.</p> <p>This is planned to take effect starting with the 2024-25 FAFSA. Because the FAFSA does a prior-year look back at income this could be beneficial to students as early as the 2022 calendar year unless the change is delayed.</p>
	<p>Assets reported on the FAFSA: (<u>account value as of the day you apply for the FAFSA</u>)</p> <p>Up to 5.6% of assets</p> <ul style="list-style-type: none"> 529 savings plan (where parent is owner)² Prepaid tuition plans (where parent is owner) Coverdell ESA (where parent is owner)² Trust funds Securities, stocks, stock options, bonds, mutual funds Bank accounts, CDs Real estate, rental property not including your primary home 		

*Note:
Zoom in
to view*

Financial Aid Strategy – Tips (FAFSA)

1. File early!
2. Save money in the parent's name or grandparent's name, not the child's name.
3. Maximize contributions to your retirement fund or other investments not included on the FAFSA
4. Don't raid your retirement funds.
 - Pre-tax retirement funds count as income reducing a future financial aid eligibility.
5. Minimize capital gains.
 - Capital gains are treated like income.
 - FAFSA does a prior-prior look back at income

Please obtain and read the Program Description

Investors should consider the investment objectives, risks, charges and expenses associated with a 529 Plan before investing. This and other information is available in a Plan's official statement. The official statement should be read carefully before investing.

Depending on your state of residence, there may be an in-state plan tax and other benefits such as financial aid, scholarships and creditor protection that are not available through a out-of-state plan. Before investing in any state's 529 plan, you should consult your tax advisor.



Thank you!

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