



Saving for College

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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 Savings 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.

Your College Savings Will Help You

- Give you more education options
- Reduce or eliminate the need to borrow loans
- Have a minimum impact on aid eligibility
- Linked to increased attendance and graduation
- Benefits all income levels



Two Massachusetts Savings Options

U.Fund 529 College Investing Plan

mefa
UFUND®
Massachusetts 529 Plan

MEFA's U.Fund College Investing Plan is the Massachusetts 529 plan. It is a tax-advantaged investment plan, professionally managed by Fidelity Investments, to help you reach your child's education dreams.

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
- No additional contributions 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
- Costs for apprenticeships (\$10,000 annually)
- Tuition for private and public K-12 education (\$10,000 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
- In 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 blog post: [The Details on Transferring 529 Funds into a Roth IRA](#)
- 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
- Speak with your financial advisor/tax preparer if you have questions.

BabySteps Savings Plan

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.



[ABOUT BABYSTEPS](#) [PROGRAM ELIGIBILITY](#) [FAQ](#) [FAMILY RESOURCES](#) [COMMUNITY RESOURCES](#) [ENROLL TODAY](#)

Save today
for your child's
tomorrow!



Enroll today
and receive a
\$50 deposit.

Open a U.Fund
and receive \$50

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?

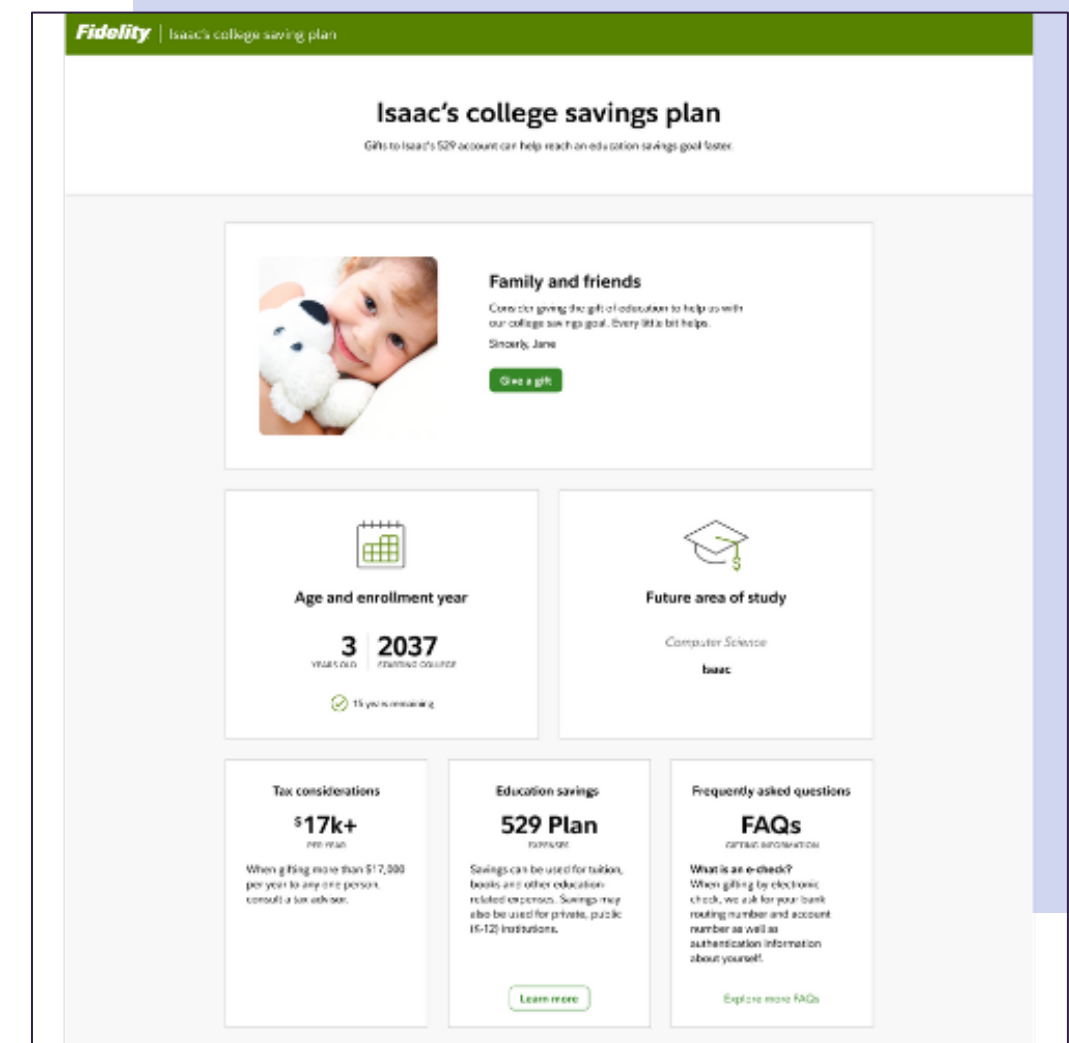
- What happens if my child doesn't go to a participating college?
- Funds can be transferred to other beneficiaries within the family
- Certificates can be cashed out upon maturity. Owner will receive their investment plus CPI interest
- What happens if my beneficiary goes to graduate school?
- U.Plan 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

Massachusetts Tax Benefits

- Contributions to the U.Plan and U.Fund 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 benefits are here: MEFA's U.Plan and U.Fund both offer this incentive.

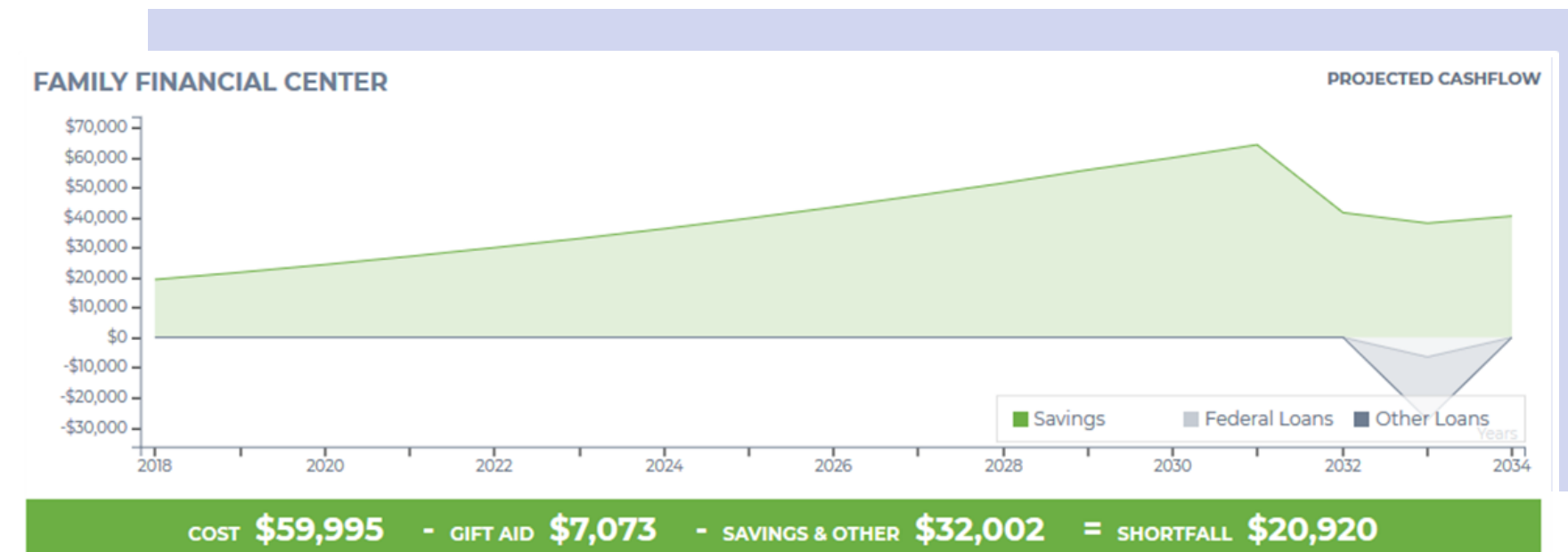
Strategies for Saving for College

- 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



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



Today 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.



Strategies for Saving

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?



Compound Interest Example

- 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





How Families Pay for Postsecondary Education

Postsecondary Options

Costs include tuition, fees, room, board, books, supplies, transportation, & other expenses

\$60,420 per year*
(includes food and housing)

4-year
private

<\$33,000 for entire
education**
(does not include
food and housing)

Vocational
schools

\$28,840 in-state per
year* and \$46,730
out-of-state per year*
(includes food and
housing)

4-year
public

\$9,890 per year*
(does not include
food and housing)

2-year public
community
college

* The College Board, *Trends in Student Pricing 2023* ** Value Colleges, *University, Community College, or Trade School: Which Makes the Most Economic Sense?*

Types of Aid

\$177 billion* in aid awarded to students in 2022-23

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 2023*

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

Consider the Gift of College

The MEFA U.Fund 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 stores across Massachusetts.
- Give the card to an expectant parent, students of all ages, college graduates, parents of young children, or an individual with an ABLÉ account.
- The recipient visits giftofcollege.com to redeem the card. Card funds can be put toward a college savings account, student loan debt, or an ABLÉ account.

Next Steps

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

Connect with MEFA on Social Media



Thank You!

Questions?



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