

Saving for College

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About MEFA

State authority created in 1982 by the Commonwealth of Massachusetts to help 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?

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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

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U.Fund 529 College Investing 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)

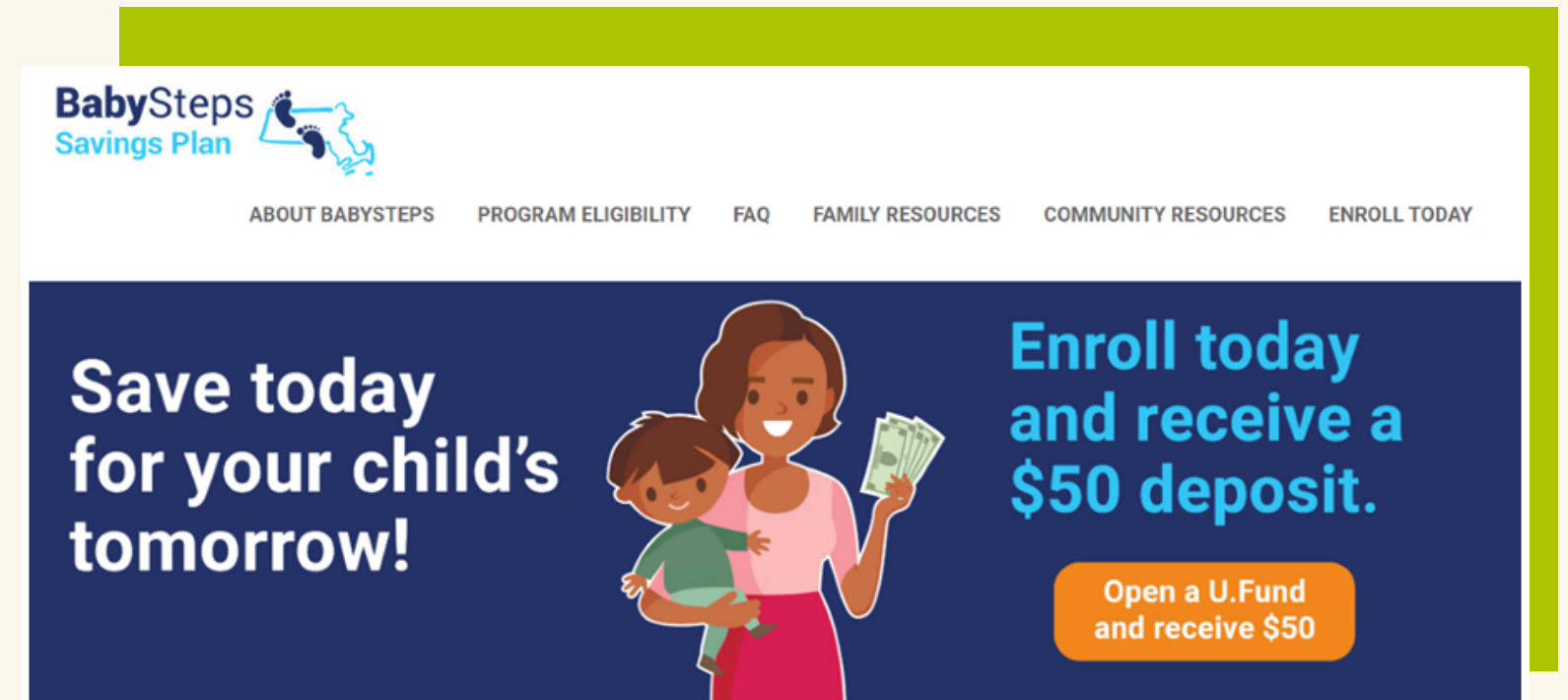
What If?

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

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.



The screenshot shows the top portion of the BabySteps Savings Plan website. At the top left is the logo for "BabySteps Savings Plan" with a small map of Massachusetts. To the right of the logo is a navigation menu with links for "ABOUT BABYSTEPS", "PROGRAM ELIGIBILITY", "FAQ", "FAMILY RESOURCES", "COMMUNITY RESOURCES", and "ENROLL TODAY". Below the navigation is a dark blue banner with white and light blue text. On the left, it says "Save today for your child's tomorrow!". In the center is an illustration of a woman holding a young child. On the right, it says "Enroll today and receive a \$50 deposit." Below this text is an orange button that says "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

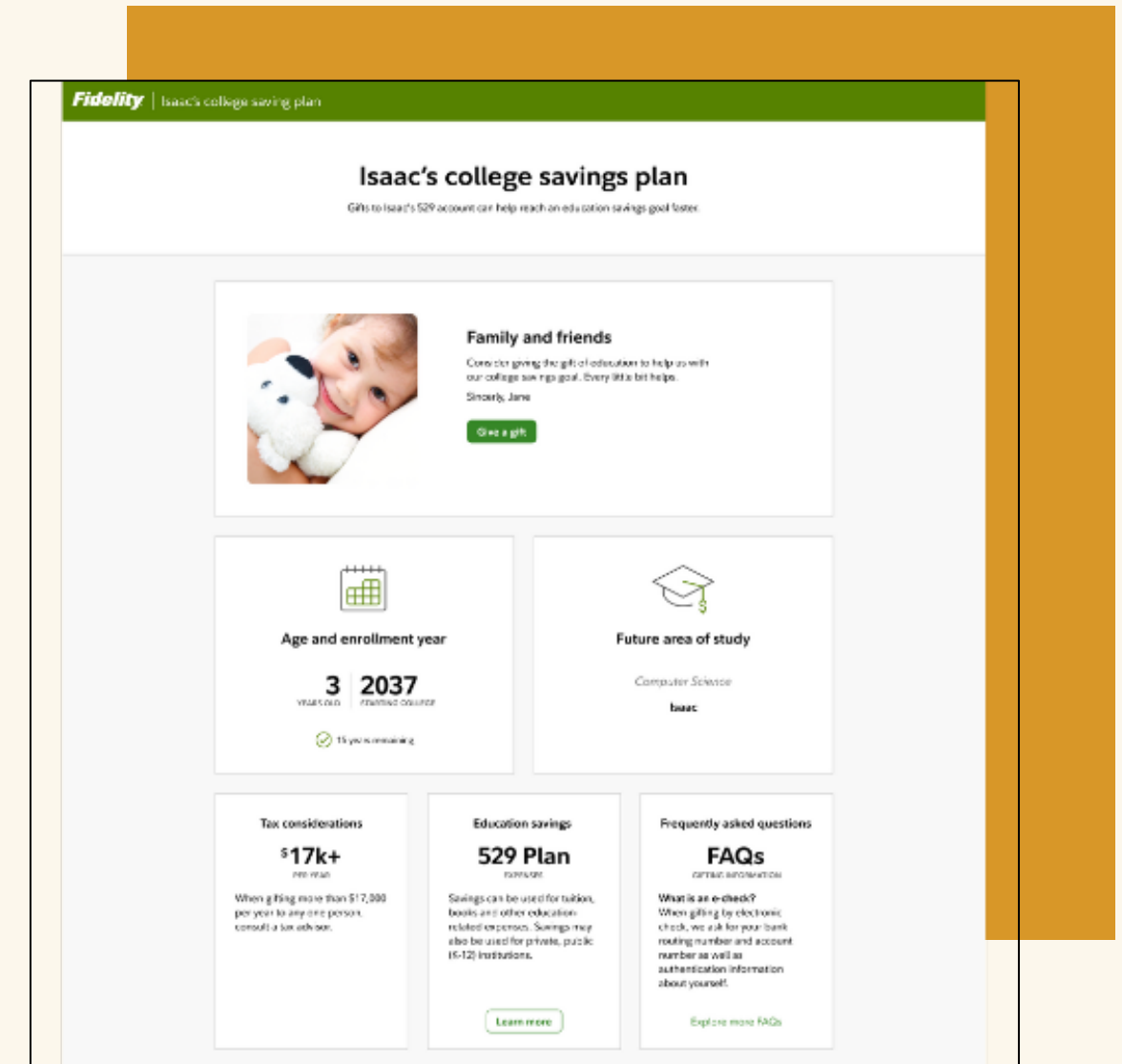
- Contributions to the U.Plan and U.Fund are MA state tax deductible
 - Up to \$2,000 for married filers
 - Up to \$1,000 for individual filers
- Limits are per filer, not per account

STRATEGIES FOR SAVING

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Strategies for Saving for College

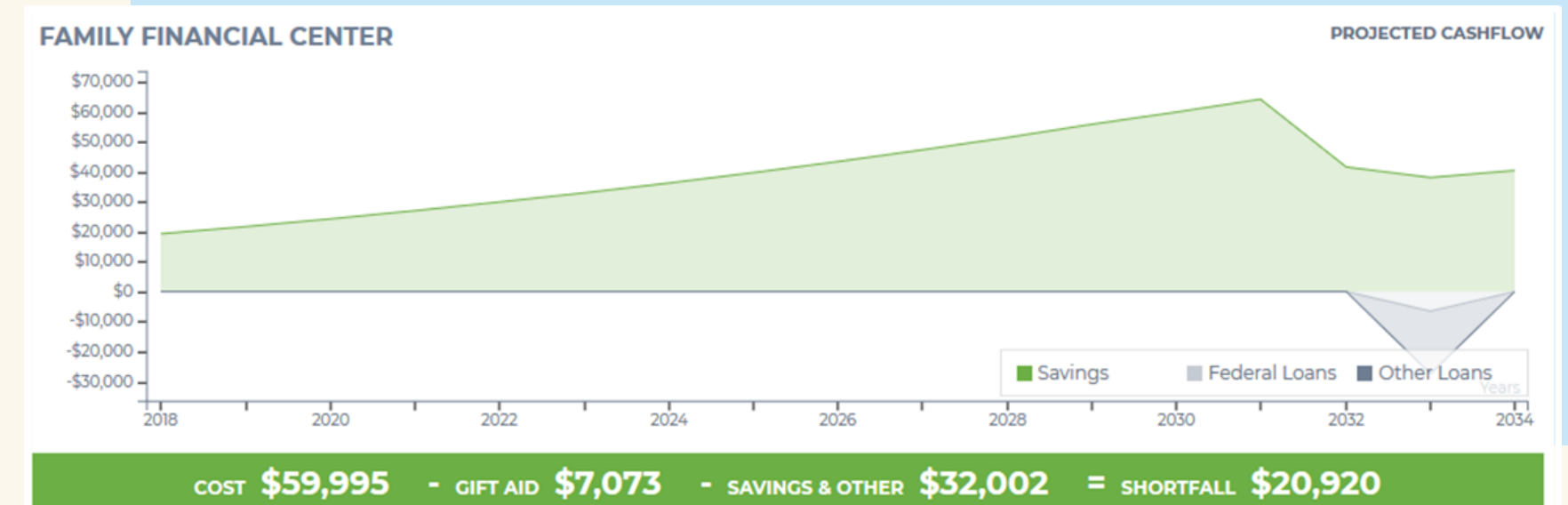
- Start saving as early as possible
 - Use time to your advantage
- Start with a goal in mind
- Take advantage of unexpected funds
- Use automatic transfers
- Get the word out
 - Tell your family & friends to contribute
- Involve your child in the process



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



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?

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%

HOW FAMILIES PAY FOR POSTSECONDARY EDUCATION

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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



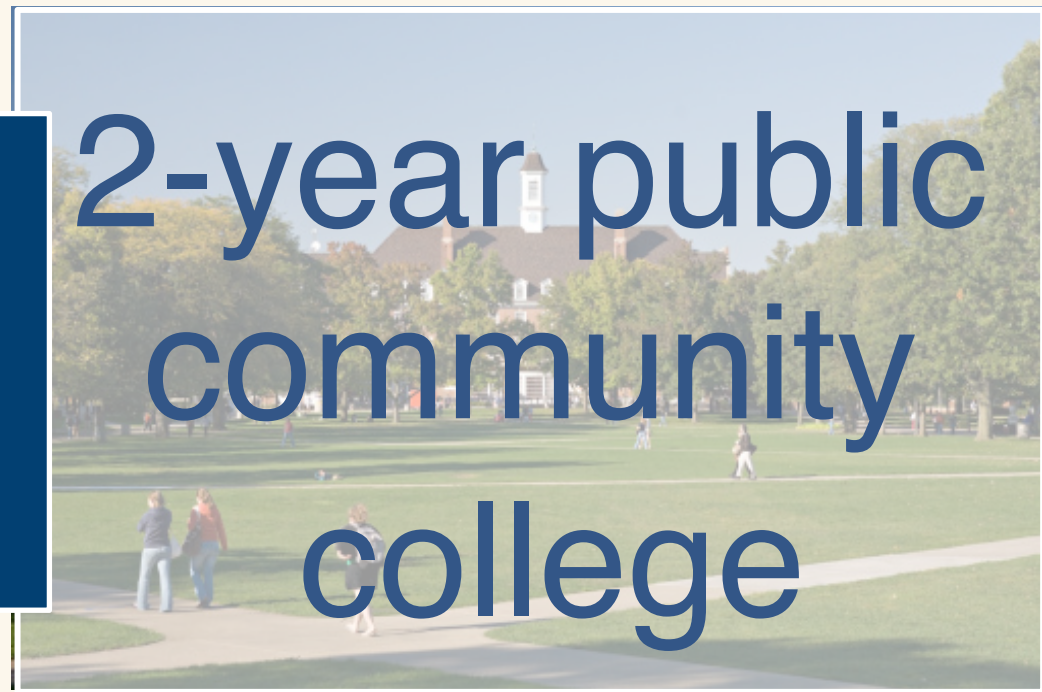
\$28,840 in-state per year* and \$46,730 out-of-state per year*
(includes food and housing)

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

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?

Call (800) 449-MEFA (6332)
or email collegeplanning@mefa.org

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