

# College Planning: Navigating Education Costs

Presented by:  
Clark Engle, CFP®



## How Much Will It Really Cost?



What is the estimated cost in 18 years for a 4-year degree at a private university including tuition, fees, room and board?

**a** \$160,000

**b** \$380,000

**c** \$480,000

**d** \$545,000

# How Much Will It Really Cost?



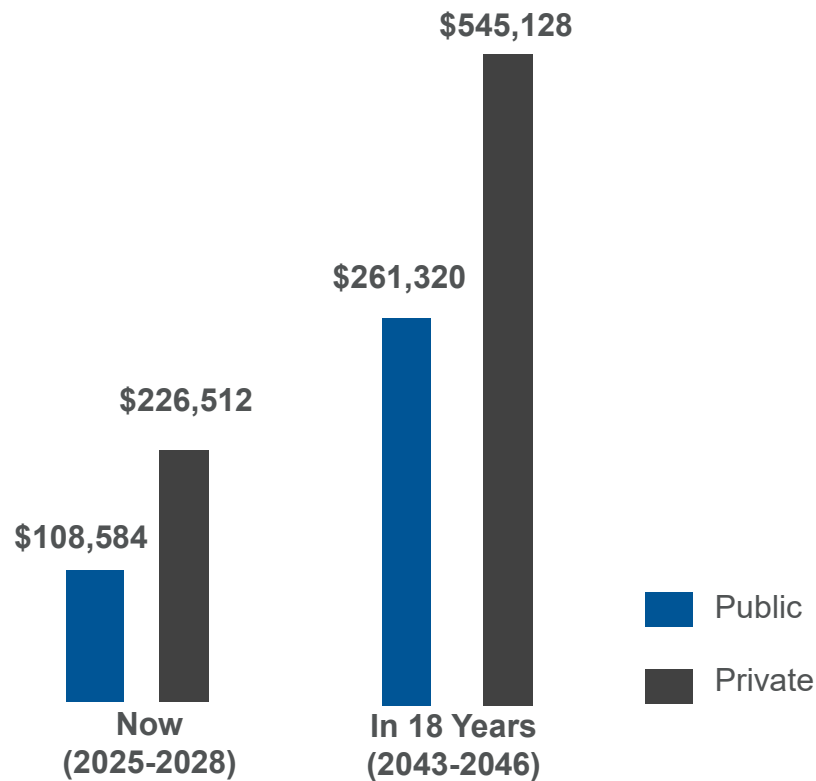
What is the estimated cost in 18 years for a 4-year degree at a private university including tuition, fees, room and board?

*d*

**\$545,000**

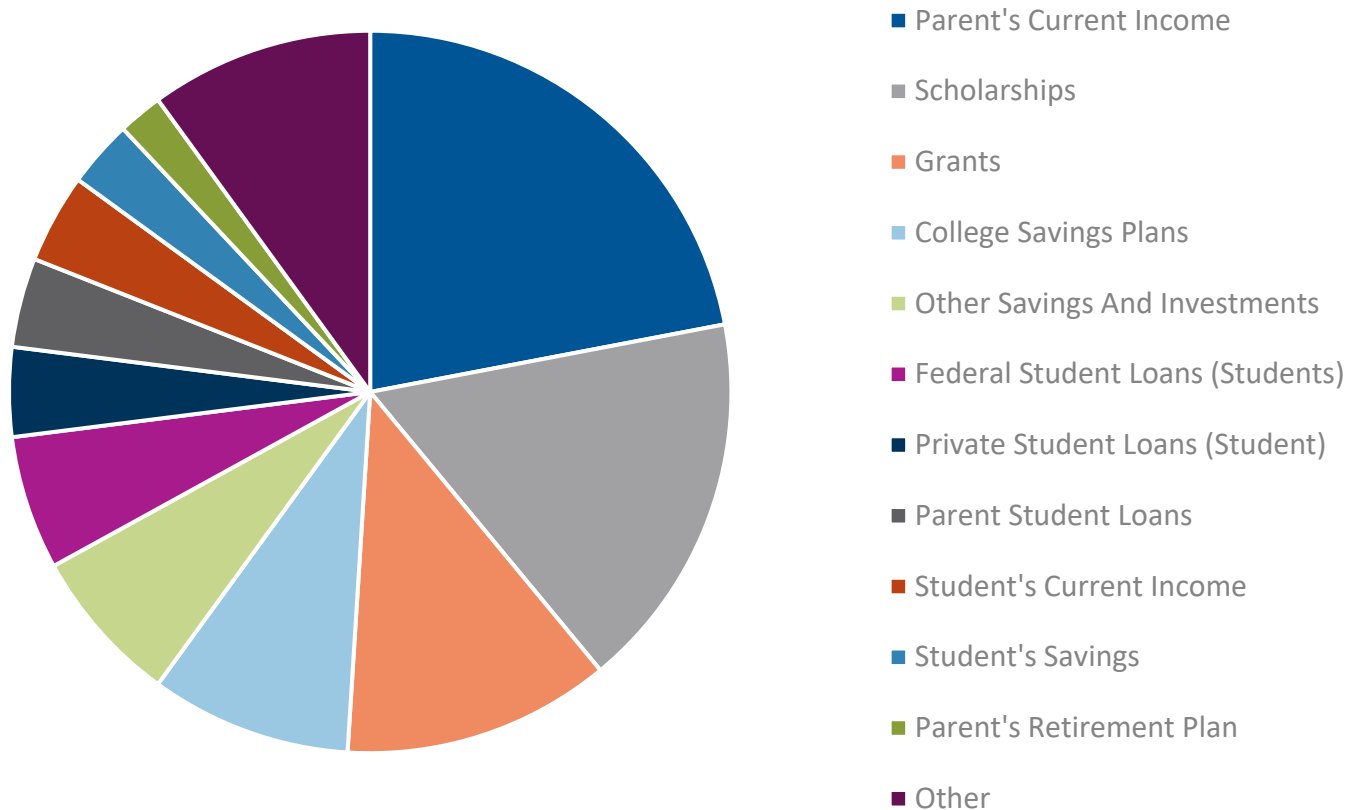
# Determine the Cost of College

## College Costs: Now vs. Later






# Savings, Scholarships, Grants, Loans

## How Do Families Pay For College?



## Free Application for Federal Student Aid

-  The FAFSA form is **free** and every family should complete it.
-  Most people qualify for some type of financial aid, which range from grants and scholarships to loans and work-study programs.
-  Fill out form after October 1 of senior year, can add up to 10 schools.

## Free Application for Federal Student Aid



Don't delay filling out

- Window October to June
- Schools only have so much grant money to give out. Once it's gone, they may award loans instead.



**Don't forget to annually renew your FAFSA.**

You must renew your FAFSA for **each academic year** you're in school or **you won't qualify** for additional federal financial aid.

# FAFSA Reportable Assets

Reportable	Non-reportable
Real estate (other than the family's primary residence)	Primary residence
Bank accounts, including checking accounts, savings accounts, CDs	Qualified retirement plan accounts, including 401(k), Roth 401(k), 403(b), 457, pensions, annuities, IRAs, Roth IRAs; SEP, SIMPLE and Keogh plans
Trust funds	Family farms
Investments, including stocks, bonds, mutual funds, ETFs, stock options	Life insurance policies, including cash value insurance and whole life
529 plans or Coverdell savings accounts owned by parents or the students	529 plans or Coverdell accounts owned by grandparents (or anyone else besides the parents or student)
Businesses with more than 100 full-time employees	Businesses with fewer than 100 full-time employees
Uniform Gifts to Minors Act/Uniform Transfers to Minors Act accounts	Personal possessions and household goods, including clothing, furniture, cars, boats



## Grants

- Needs based
- $\text{Cost of Attendance} - \text{Expected Family Contribution} = \text{Financial Need}$
- EFC
  - Family Income, assets, benefits, family size, etc
  - Income has a bigger impact on EFC than assets
- First come, first serve

# Scholarships

- Needs, merit, ethnicity, hobbies, etc
- Can apply and hold multiple scholarships
- 1.7 million private scholarships
- 1.5% of students receive full scholarship

# Loans

	Federal			Private
	Subs	Unsubs	Parent Plus	
IR	6.39% for current school year	6.39% for current school year	8.94% for current school year	IR varies, typically higher
Needs Based	Yes	No	No	No
Interest Accrual	Interest does not accrue until 6 months post graduation	Immediate	Immediate	Typically immediate
Amount Available	Cannot exceed financial need	Cannot exceed cost of attendance	Cannot exceed cost of attendance	Set by lender

## Steps to College Planning

1. Identify your savings profile
2. Choose a savings vehicle
3. Determine an amount to save
4. Get started



## Identify Your Savings Profile

Before you determine how much you will save for college, you'll want to figure out what kind of saver you are based on:

- Your values
- Your financial goals
- Your financial means



## Identify Your Savings Profile

### **PROFILE A:** “Paying for college builds character”

- It will be a more meaningful accomplishment
- College is the perfect time to grow up financially
- It's a family value
- This is the realistic solution

# Identify Your Savings Profile

## PROFILE B: “As best I can”

- College is just one of many financial goals
- We’ll explore scholarships and other funding to augment our family’s contribution
- I have more than one child

# Identify Your Savings Profile

## PROFILE C: “I’ll fund it all”

- College is a priority for our family — I can and want to provide this for my child
- I want my child to experience all that college has to offer
- We’re willing to make sacrifices for this
- I want to leave a legacy for my grandchildren



## Choose a Savings Vehicle

- Coverdell education savings account
- UTMA/UGMA (Uniform Transfer/ Uniform Gift)
- Trusts
- Saving bonds
- Traditional taxable accounts
- ROTH IRAs
- 529 college savings plans

## Choose a Savings Vehicle

	529	UTMA	Earmarked TOD
<b>Flexibility</b>	Higher Education	Kid	Unlimited
<b>Taxation</b>	Tax-free growth	Earnings are taxed	Earnings are taxed
<b>Investment Options</b>	Limited to plan options	Unlimited	Unlimited
<b>Ownership</b>	Client	Kid	Client

# Choose a Savings Vehicle

## Why 529 plans?

### Tax advantages

- Account grows tax free
- No taxes on funds withdrawn for qualified higher education expenses.
- State of Ohio tax deduction (residents only)
  - Maximum deduction of \$4,000 per beneficiary

### Annual gift exclusion amount of \$19,000

- \$95,000 or \$190,000 (married couple) over 5 years

# Choose a Savings Vehicle

## Why 529 plans?

### Control

- Account owner continues to control account assets after the beneficiary reaches legal age.

### Flexibility

- Anyone can contribute — parents, grandparents, other family members, friends.
- Account owners can change the beneficiary

A 529 plan can only be used at schools in that plan's state.

**Myth**

## Fact

529 plan asset usage is not restricted by state.

- Account assets can be used to attend any eligible educational institution that meets federal accreditation standards (i.e., can accept federal student aid)
- Includes four-year colleges and universities, many two-year institutions, graduate schools, doctorate programs, vocational and technical schools, as well as many schools abroad

I make too much or too little money to qualify for a 529 plan.

**Myth**

## Fact

There are no income limitations for a 529 plan.

529 plans can be funded by individuals of any income level.



If my child decides not to go to college, I lose the assets in the account.

**Myth**

## Fact

529 plans have more flexibility than you think.

- Account assets aren't limited to use toward traditional four-year undergraduate education expenses
- Account owners can change the beneficiary, or transfer the assets to another beneficiary\*
- The assets can be returned to you as a non-qualified withdrawal
  - Taxes plus 10% penalty on earnings
- Assets in the account can grow in perpetuity; there are generally no time or age limitations

\* New beneficiary must be a member of the family of the Beneficiary. See the Plan's program description for more information.

† Earnings on non-qualified withdrawals are subject to federal income tax and may be subject to a 10% federal penalty, as well as state and local income taxes. The availability of tax or other benefits may be contingent on meeting other requirements.

‡ Virginia's 529 plan has a 30-year limitation on use of assets.

## Fact

529 plans have more flexibility than you think.

- Up to \$35k can be transferred to a Roth IRA for the 529 beneficiary
- Annual contribution limits apply (currently \$7k)
- 529 must have been held in the current beneficiary's name for at least 15 year
- Earned income requirement still applies

You can only use 529 plans  
to pay for tuition.

**Myth**

## Fact

529 plan assets can be used toward all qualified higher education expenses.



Tuition



Room & board



Mandatory fees



Books & supplies

Investing in a 529 plan lowers  
the chance of qualifying  
for financial aid.

**Myth**

## Fact

529 plan assets have a relatively small effect on financial aid eligibility.

- 529 Plan assets are considered assets of the account owner on the Free Application of Federal Student Aid (FAFSA)
- If account owner is a parent: Plan assets factored into the EFC (Expected Family Contribution) at a rate of 5.6% like any other parental asset – v. 20% for the student\*

If my child receives a scholarship,  
I lose the money in the account.

**Myth**



## Fact

529 plan assets can be returned to the account owner at any time.

- In the event a beneficiary receives a scholarship, plan assets can be withdrawn – subject to federal income tax (and possibly state and local income tax), but the 10% federal penalty is waived\*
- Account owners can change the beneficiary
- Assets in the account can grow in perpetuity; there are generally no time or age limitations on use of account assets

\* Earnings on non-qualified withdrawals are subject to federal income tax and may be subject to a 10% federal penalty, as well as state and local income taxes.

The availability of tax or other benefits may be contingent on meeting other requirements.

† New beneficiary must be a member of the family of the existing Beneficiary.

‡ Virginia's 529 plan has a 30-year limitation on use of assets.

Only a parent can be a  
529 plan account owner.

**Myth**

## Fact

With few exceptions, there are no limitations on account owners or beneficiaries.

- Parents, grandparents, aunts, uncles, friends... anyone who is a US citizen or resident alien can be an account owner or beneficiary\*
- Corporations and trusts with valid tax ID numbers may also be account owners

\* You must be a US citizen or resident alien, have a Social Security number or Tax Identification number, and have a permanent U.S. address.

I'm the only one who can  
contribute to the 529 plan account.

**Myth**

## Fact

### Non-account owners can contribute to the account.

- Contributors may not direct the investment, nor will they retain any control over, or rights to, the contribution after it is made
- The contributor could elect to apply up to five-years of annual gift tax exclusions in a lump sum
- In some states, the contributor may take a state tax deduction for a contribution, even if they are not the Account Owner
  - Ohio included

#### 2025 Lump Sum Contribution

1 Year	\$19,000
5 Year	\$95,000

Couples can give up to \$190,000  
(per beneficiary) in a single year\*

\* All contributions in excess of \$19,000/individual are pro-rated over a 5-year period for the purpose of accelerated gifting. If the Contributor chooses to use the five-year election and dies before the end of the five-year period, the portion of the contribution allocable to the calendar years remaining (beginning with the calendar year after the Contributor's death) would be included in the Contributor's estate for federal estate tax purposes. Consult your Tax Advisor and/or Estate Planning professional for more information.

## Determine an Amount to Save

How much should I save?



\$3,000/\$6,000/\$9,000

In-state/mid-private/elite-private  
Per year, per beneficiary



Online College Calculators

[https://www.bankrate.com/calculators/savings/  
saving-for-college-calculator.aspx](https://www.bankrate.com/calculators/savings/saving-for-college-calculator.aspx)

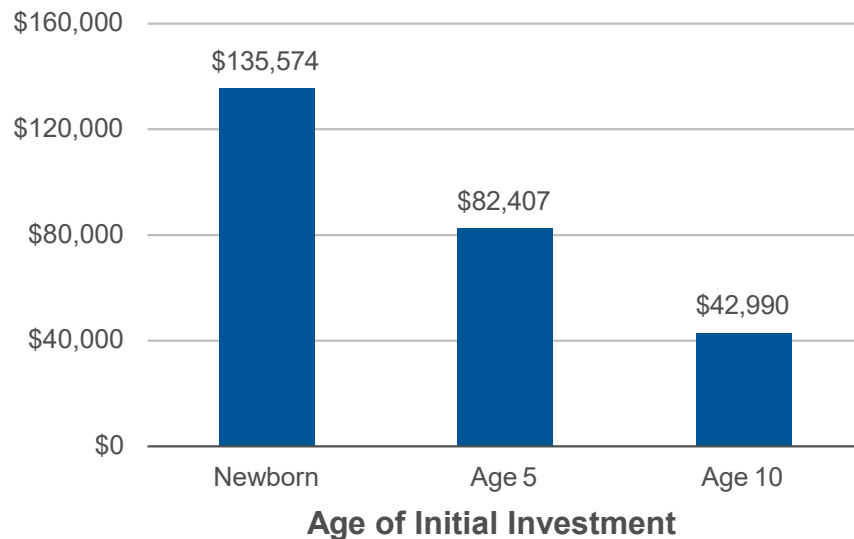
**Use Everhart Advisors as a resource!**

# The Cost of Education: Danger of Delaying Savings

Starting to save for your children's or grandchildren's education later may prevent you from meeting your goals or make meeting the goals more costly.

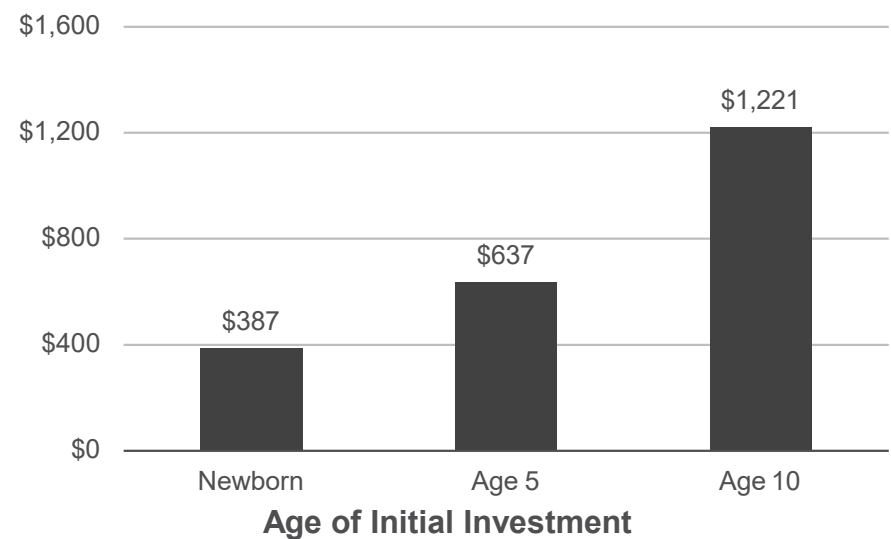
## Starting to Save Earlier Can Reap Benefits

Value at Age 18 of a Hypothetical Portfolio of \$350 Monthly Contributions



## Starting to Save Later May Be More Costly

Monthly Savings Needed to Accumulate \$150,000 by Age 18



## Get Started

Where do you get started?



### Ohio's Plan

<https://www.collegeadvantage.com/>



### Florida's Plan

<https://www.myfloridaprepaid.com/plans/investment-529-plan/>



# Questions?



## CONTACT US

### Everhart Advisors



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## January 23

Exploring Wealth  
Building Concepts

## February 27

Navigating the Home  
Buying Process

## March 25

Tax Education:  
Pre-tax vs. Roth  
Explained

## April 29

Financial Planning:  
Creating a Strategy  
That Works For You

## May 22

Investing in Stocks:  
Understanding  
the Basics

## June 26

Annuities 101:  
What You Need  
to Know

## July 29

Estate Planning:  
Strategies for Protecting  
Your Assets

## August 28

College Planning:  
Navigating  
Education Costs

## September 25

Medicare Insights:  
Understanding  
Your Options

## October 30

Social Security:  
Making Informed  
Decisions

## November 20

Q&A Session:  
Exploring Your  
Financial Questions

## December 18

Approaching  
Retirement: Preparing  
for the Next Chapter

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