



Investing in Your Child's **College Goal**

College Savings Planner
for Parents & Grandparents

Presented by the Arizona Commission for Postsecondary Education
www.az529.gov



college
savings plan

Douglas A. Ducey
Governor

Office of the Governor

* COLLEGE SAVINGS MONTH *

WHEREAS, the State of Arizona is committed to competing in the global economy, our citizens must recognize the challenge ahead and provide their children with the education and skills that will enable them to compete successfully; and

WHEREAS, the amount of student loan debt is estimated to be close to \$1.3 trillion nationally, leaving college graduates with the increasing burden of paying for their education long after graduating; and

WHEREAS, students who have any amount saved for higher education in their name are six times more likely to attend a four-year college than children with no dedicated college savings account; and

WHEREAS, the State of Arizona has established the Arizona Family College Savings Program as the State's Section 529 Savings Plan, which provides a tax-advantaged way for families to save for the costs of education in order to ensure their children's access to post-secondary education; and

WHEREAS, in recognition of the value of saving for higher education, the State of Arizona, through duly enacted laws, provides both a state income tax exemption on 529 plan earnings and an income tax deduction for annual contributions to a 529 college savings program.

NOW, THEREFORE, I, Douglas A. Ducey, Governor of the State of Arizona, do hereby proclaim October 2015 as

* COLLEGE SAVINGS MONTH *

and urge families and employers throughout the State to recognize the benefit of attaining a higher education, and urge the citizens of Arizona to begin and continue to save for their children's and grandchildren's education.

IN WITNESS WHEREOF, I have hereunto set my hand and caused to be affixed the Great Seal of the State of Arizona


GOVERNOR

DONE at the Capitol in Phoenix on this tenth day of September in the year Two Thousand and Fifteen, and of the Independence of the United States of America the Two Hundred and Fortieth.

ATTEST:



Secretary of State





By 2018, twenty-two of the top twenty-five in-demand jobs in Arizona will all require a bachelor's degree or higher.*

Going to college and obtaining a college degree is an American dream. In 2012, 33% of 25-29 year olds had completed a bachelor's degree or higher.** This statistic would undoubtedly be higher if more potential college students had access to funds needed to cover college expenses.

Lack of funds, steadily rising college costs and the increased burden of student loan debt are primary reasons why most would-be college students do not complete their college dreams. This College Savings Planner has been developed by the Arizona Commission for Postsecondary Education in order to help parents, grandparents, caregivers, and students themselves begin the college preparation process. By providing the opportunity to save, children and adults can have an increased likelihood to attend college and make their college goal... a reality.

Getting the Facts

If you are one of these parents who believe that their children should go to college after high school, a grandparent wishing to invest in the higher education of the next generation, or one of the many American adults who think that college education is worth its price, you may find this College Savings Planner helpful. It will review:

- average college costs
- various types of financial aid available
- when college savings should begin and how much to save
- options families have to save
- savings options through the Arizona Family College Savings Program

While nearly all parents believe college is an investment in their child's future, **only one-third have a plan to pay for college.*****

For more College Savings information visit: www.az529.gov

*Source: Arizona Department of Administration – Office of Employment & Population statistics

**Source: The Condition of Education, 2013

***Source: How America Pays for College, 2013



Parents

Whether your child aspires to be a scientist, lawyer, chef or politician, the Arizona Commission for Postsecondary Education wants to find a way to help make their dreams come true and to provide an opportunity to lighten the financial burden of higher education. As parents, preparing early for college and familiarizing yourselves with the options of financial aid and college savings will position you to make college a reality for your child.

Grandparents

Grandparents want to share their valuable experience with their grandchildren by presenting them with a precious gift of knowledge and learning. Often grandparents are in a place in life to plan for their grandchild's education. Gift tax benefits and annual tax deductions make a college savings plan a good choice.

Adults

For working adults going back to college, a 529 account can be opened in your name to help you prepare financially.



In 2011, median family income for those with a bachelor's degree or more was **\$100,096**, compared to **\$48,460** for those with a high school diploma.*

*Source: Trends in College Pricing 2012

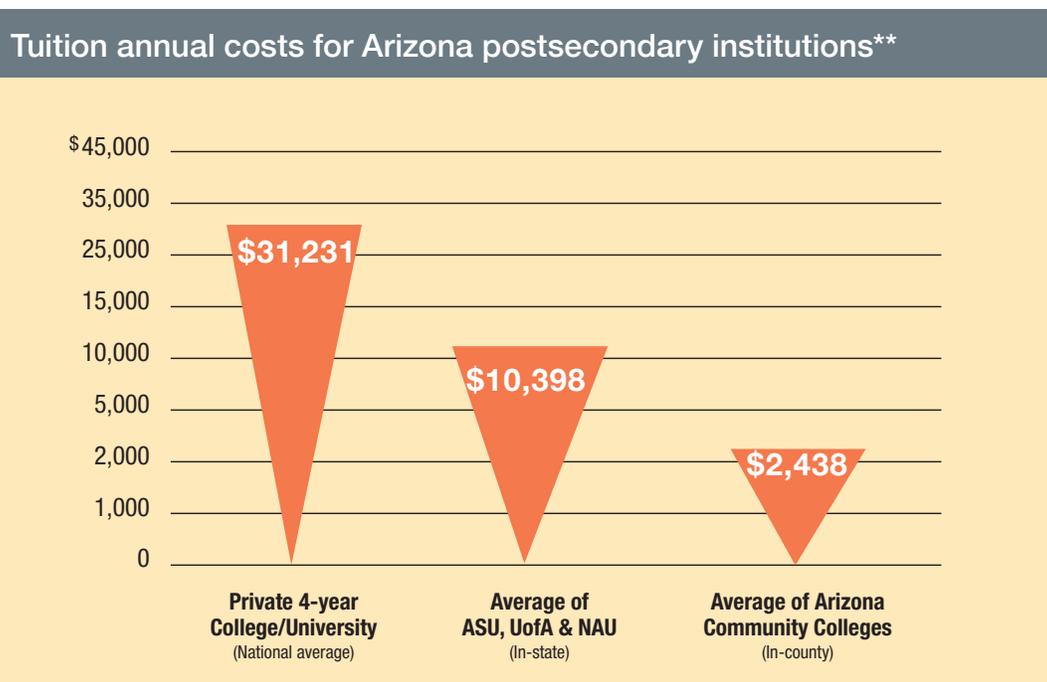


Two-thirds of four-year college graduates who borrow to pay for college leave with an average of **\$26,600** in loans.*

The Costs

Over the past 20 years, college costs have risen more than twice the rate of inflation. For many parents, funding their child's college education will be one of the largest and most significant expenses.

- Therefore, saving money for your child's college education requires foresight and planning. However, before any such planning can be started, a savings goal should be established. Exactly how much will it cost to send your child to college? Through research, you will be able to estimate the amount of money needed to send your child to a private university, a public institution, a community college or vocational training center. You may choose to set aside a fixed dollar amount of your income and select an investment plan. Define what your goals are and determine the best path to reach them.



*Source: Student Debt and The Class of 2011
**Source: College Board, 2014-2015

Savings Plan Worksheet

By completing this worksheet, you will develop an estimate of the amount of money needed to meet one child's college-going expenses. Most importantly, save whatever you can afford and begin saving early.



Identify Costs

(Press enter after each field is complete)

1. Current annual college costs (from table 1)
Example assumes public in-state
2. Number of years until college
3. Future annual college costs (multiply line 1 by factor in table 2) *Example assumes 8% annual inflation rate*
4. Number of years for college attendance
5. Projected cost of college at year one (multiply line 3 by line 4) *Projection does not allow for inflation rate for subsequent years of college attendance*

Identify Savings Needs

6. Total cost of college (from line 5 or your own savings goal)
7. Current college savings (if any)
8. Number of years planning to invest (copy line 2)
9. Value of current investments when college starts (multiply line 7 by factor in table 3)
10. Shortfall (subtract line 9 from line 6)
11. Number of years until college (copy line 2)
12. Estimated investment of a one time lump sum (multiply line 10 by factor in table 4)
13. Number of years until college (copy line 2)
14. Estimated investment needed on monthly basis (multiply line 10 by factor in table 5)

example	your estimate
\$18,943	
5	
\$27,846	
4	
\$111,385	
\$111,385	
\$10,000	
5	
\$14,000	
\$97,385	
5	
\$69,143	
5	
\$1,363	



Table 1: Average College Attendance Costs*

	Tuition	Room and Board	Annual Total Projection
Private College/ University	\$31,231	\$11,188	\$42,419
Public University (In-State)	\$9,139	\$9,804	\$18,943
Community College (in-State)	\$3,347	\$7,705	\$11,052

Table 2: Rising Cost Index

Years Until College	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
8% Inflation Rate Multiply By:	1.08	1.17	1.26	1.36	1.47	1.59	1.71	1.85	2.00	2.16	2.33	2.52	2.72	2.94	3.17	3.43	3.70	4.00

Table 3: Growth Index (Assumes 7% Annual Rate of Return)

Years Investing	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Multiply By:	1.07	1.14	1.23	1.31	1.40	1.50	1.61	1.72	1.84	1.97	2.10	2.25	2.41	2.58	2.76	2.95	3.16	3.38

Table 4 & 5: Necessary Investment Index

Years Until College	Table 4 Contribution—Lump Sum	Table 5 Contribution—Monthly	Years Until College	Table 4 Contribution—Lump Sum	Table 5 Contribution—Monthly
1	0.93	0.0803	10	0.51	0.0058
2	0.87	0.0388	11	0.48	0.0051
3	0.82	0.0250	12	0.44	0.0045
4	0.76	0.0181	13	0.41	0.0040
5	0.71	0.0140	14	0.39	0.0036
6	0.67	0.0112	15	0.36	0.0032
7	0.62	0.0093	16	0.34	0.0026
8	0.58	0.0078	17	0.32	0.0026
9	0.54	0.0067	18	0.30	0.0024

*College Board 2014- 2015

Types of Financial Aid

Four types of financial aid programs make up the majority of financial aid. These programs are made available and funded by the federal government, the State of Arizona, and various private organizations. These four groups include:

- Grants
- Scholarships
- Loans
- Work

Need-Based vs. Merit-Based

Need-based is defined as financial aid programs that are awarded based on the financial situation of the student and/or their family. Merit-based is defined as financial aid awards that are given in response to met criteria. Academic scholarships and athletic scholarships are examples of merit awards.

Types of Financial Aid	Need Based	Merit Based
Grants	X	
Loans	X	
Scholarships	X	X
Work Study	X	

Federal Grants

Grants are forms of financial aid that do not need to be repaid. Grants are typically provided to students from limited-income families and are need based in nature. There are a variety of grants available to eligible students, the most common are:

Pell Grant

This federally funded program provides assistance for educational expenses based on financial need, academic load, length of enrollment and the costs of the education. Awards typically range from \$400-\$5,645 a year.

Supplemental Educational Opportunity Grant (SEOG)

This federally funded program is granted to students who demonstrate exceptional need and are also eligible for Pell Grants.

Loans

Loans are federally or privately funded sources of assistance that must be repaid with interest at the conclusion of a student's college attendance.

Federal Direct Student Loan

Students may qualify for a "subsidized" Federal Direct Loan based on their identified financial need or an "unsubsidized" Federal Direct Loan, which does not take into consideration their own or their family's household income levels.

Federal Direct PLUS Loan

These loans are available to parents who want to borrow monies to help pay for their child's education. These loans have variable interest rates.

Scholarships

Scholarships are granted to students and are often based on performance in a particular area such as academics or sports. There are several websites which list the thousands of various types of scholarships available. Visit the Arizona Commission for Postsecondary Education website listed below for more information.

Work Study

Federal Work Study (FWS)

This need based program provides jobs for students who have applied for financial aid and are eligible to work as part of their financial aid award package. Students participating in this program may work on or off campus and the money earned is paid directly to the student to cover various types of expenses.

For more financial aid resource options visit:

www.collegegoal.az.gov

or

www.studentaid.ed.gov

Start Early–Save Regularly

The majority of college students do not receive sufficient grant or scholarship money to cover all of their college expenses. Most of these students must obtain loans in order to complete their educational goals.

It is important to start saving early. A child’s educational expenses may be reduced by the growth

of compounding income held in an account over a long period of time.

There are many vehicles that may be used for college savings purposes. Below is a snapshot of the various savings options available to parents and grandparents.

Savings Options Available*					
	AZ Family College Savings Program 529 plan	Coverdell Educational Savings Accounts	Qualifying US Savings Bonds	UGMA/UTMA	Mutual Funds
Federal Income Tax	Non-deductible contributions; federal and Arizona income tax-free when used for qualified higher education expenses; Arizona Income tax deduction up to \$2,000 (single) or \$4,000 (joint)	Non-deductible contributions; federal income tax-free when used for qualified higher education expenses, or qualified K-12 expenses	Tax-deferred for federal; tax-free for state; certain post-1989 EE and I bonds may be redeemed federal tax-free for qualified higher education expenses	Earnings and gains taxed to minor; first \$1,000 of unearned income is tax exempt; unearned income over \$2,000 for certain children through age 23 is taxed at parents rate	Earnings and gains taxed in year realized; special lower tax rates for certain dividends and capital gains
Federal Gift Tax Treatment	Contributions treated as completed gifts; use \$14,000 annual exclusion, or up to \$70,000 with 5-year election	Contributions treated as completed gifts; use \$14,000 annual exclusion. 5-year election only available under special circumstances	No gift involved; qualifying bonds must be owned by the parent	Transfers treated as completed gift; use \$14,000 annual gift exclusion	No gift involved; direct payments of tuition are not considered gifts
Federal Estate Tax Treatment	Value removed from donor’s gross estate; partial inclusion for death during a 5-year election period	Value removed from donor’s gross estate	Value included in bondholder’s gross estate	Value removed from donor’s gross estate unless donor remains as custodian	Value included in the owner’s gross estate
Maximum Investment	\$419,000 per beneficiary (beginning October 1, 2015)	\$2,000 per beneficiary per year combined from all sources	\$10,000 face value per year, per owner, per type of bond	No limit	No limit
Qualified Expenses	Tuition, fees, room and board, books, supplies, equipment, and special needs	Same as 529 plan plus additional categories of K-12 expenses	Tuition and fees	No restrictions	No restrictions
Income Restrictions	None	Ability to contribute phases out for incomes between \$190,000 and \$220,000 (joint filers)	Interest exclusion phases out for incomes between \$112,050 and \$142,050 (joint filers)	None	None
Federal Financial Aid	Counted as asset of parent or other account owner; not counted as a student asset	Counted as asset of parent or other account owner; not counted as a student asset	Counted as asset of bondholder	Counted as student’s asset	Counted as asset of the owner
Use for Non-Qualifying Expenses	Withdrawn earnings subject to federal tax and 10% penalty	Withdrawn earnings subject to federal tax and 10% penalty	No penalty; interest on redeemed bonds included in federal income	Funds must be used for benefit of the minor	Money can be withdrawn at any time for any reason

Please consult with a financial professional for more information before investing.

*Source: based upon information provided by www.savingforcollege.com. Revised for Arizona specifics.

The Arizona 529 Savings Plan

A 529 Plan is similar to a 401(k) or an IRA. The plan is designed to provide a parent, grandparent or other caregiver an opportunity to save for a child's educational pursuits within a tax-deferred savings vehicle.

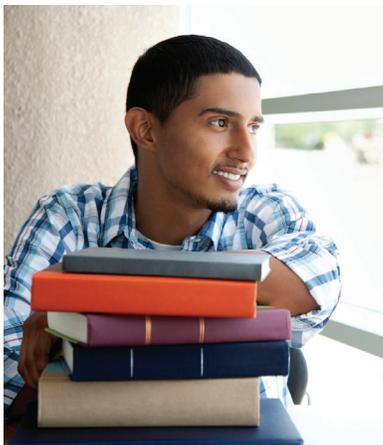
New increased tax deduction for Arizona taxpayers contributing to a 529 plan of up to \$4,000 for married tax filers and \$2,000 for single filers.

The state of Arizona offers one of the most diversified 529 plans in the country. Arizona's 529 Savings Plan benefits include:

- qualified distributions that are exempt from federal income tax
- qualified distributions that are exempt from Arizona income tax for Arizona taxpayers
- college savings offered through multiple providers that include choices of CD's, mutual fund options, and age-based portfolios
- contributions to accounts that grow on a tax-deferred basis



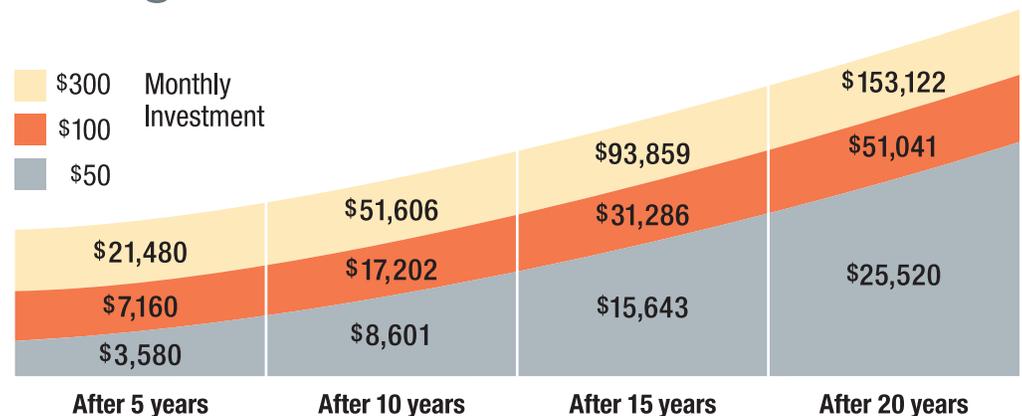
- assets that are not considered when determining Arizona financial aid awards
- savings that can be used at most accredited universities, colleges, private colleges and training schools in the United States, as well as eligible foreign institutions
- the allowance for anyone to make contributions
- the ability to begin saving with as little as \$15 a month
- the option to change account beneficiaries at any time



Children with any college savings are **six times** more likely to attend a **four-year college** than children with no dedicated college savings account.*

The Power of Tax-Deferred Compounding

Hypothetical Example – using 7% rate of return



*Source: CollegeSavings.org

The rate of return in graph is not guaranteed and is provided for illustrative purposes only.

One Great Plan, Three Simple Choices

The Arizona 529 Savings Plan

The Arizona Family College Savings Program offers a wide variety of choices through three financial institutions. Choices include CD's, advisor-sold mutual fund options, direct-sold mutual fund options, passively and actively

managed accounts, indexed, age-based portfolios, and self-designed custom strategies. Choices are offered so that your investment goals can be targeted for the timeline that best fits your needs.



College Savings Bank provides the CollegeSure® CD, a certificate of deposit indexed to college costs; the Investor Sure CD, an equity indexed CD; and a fixed rate CD. Each account holder's principal is insured by the FDIC.
www.collegesavings.com/arizona Toll Free: 1.800.888.2723



Fidelity Investments Fidelity offers both actively managed and index portfolios. Within those portfolio categories you can choose from age-based allocation, static allocation and/or individual portfolios.
www.fidelity.com/arizona Toll Free: 1.800.544.1262

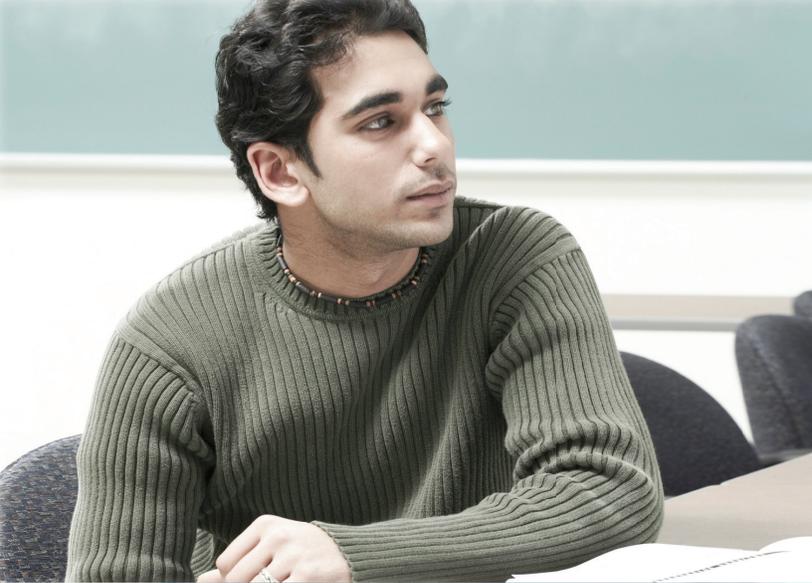


Ivy Funds InvestEd 529 Plan offers choices of investment products including age-based, static, and individual fund portfolios through financial advisors across the country.
www.ivyfunds.com Toll Free: 1.800.777.6472

Tips For Success

Help your child make their journey to college successful and affordable by following these tips provided by the Arizona Commission for Postsecondary Education:

- Make college the expectation, talk about it early and often
- Start saving early with a 529 college savings plan and involve your child
- Help your child build their volunteer resume
- Take your child to visit your friends' workplaces to provide firsthand experience about varied careers
- Apply to college early
- Explore tuition reduction options
- Encourage your child to declare their major sooner rather than later to avoid taking unnecessary classes and incurring excessive expenses
- Fill out the Free Application for Federal Student Aid (FAFSA) as a first step in the financial aid process and access to many scholarships



The Arizona Commission for Postsecondary Education (ACPE) is a state agency that assists Arizona students and their families with the information needed for postsecondary education. In addition to the development of the College Savings Planner, the ACPE also:

- Administers Arizona student financial aid programs
- Hosts the **College Goal Sunday** annual event which assists college bound high school seniors and returning adult students in completing financial aid forms
- Administers the Arizona Family College Savings Program (529 Plan)
- Publishes college preparation publications including the Arizona College and Career Guide and serves as a forum for private and public postsecondary education to dialogue and collaborate on solutions and opportunities to better assist students

Expanding access and increasing success in postsecondary education

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www.AZ529.gov [f/AZCollegeSavings](https://www.facebook.com/AZCollegeSavings)

