



# The Basics of Paying for College

## Which College Savings Options is Right for Your Family?

### 529 COLLEGE SAVINGS PLAN

- Professionals manage the funds in your plan
- You maintain control of the investment according to your individual investment goals, risk tolerance, and time horizon
- No income limits on participation
- You have the option to transfer a maximum of five years' worth of annual gift exclusions in one calendar year.

### COVERDELL LIFETIME SAVINGS ACCOUNTS

- Allows for an annual non-deductible of up to \$2,000 into a trusted account without federal income tax
- If the account is used for qualified higher education expenses (room and board), the earnings will be tax-free
- This plan may have income limitations.

### EDUCATION CREDITS (AMERICAN OPPORTUNITY CREDIT)

- Allows for a \$2,500 tax credit for the first four years of college expenses for students enrolled in a degree program who have taken at least one-half of the normal full-time workload during the year
- Covers tuition, fees, books, supplies, and equipment needed for higher education
- Does not cover room and board expenses.

What comes to mind when you think of the American dream? Things like purchasing a home, building a business, raising a family, and, for many of us, the ability to pay for our children to attend college. Unfortunately, college prices have increased so steeply over the last half a century that it has become cost-prohibitive for some without the support of scholarships, financial aid, and federal or private loans.

From 2000 to 2020, the average cost of tuition increased by 69% from \$8,082 to \$13,677 a year.

To prepare financially for your children's educational future is a gift. It enables them to start their lives with a useful education but without hundreds of thousands of dollars in debt. So, where do you start? Unless your child is bound for a full-ride scholarship, you ought to make a plan to pay for their education.

### LIFETIME LEARNING CREDIT

- Covers 20% of the first \$10,000 in expenses without restraints of enrollment level
- This plan has a more narrow income limit, with credits phased out for higher income taxpayers.

### THE GIFT OF THE FUTURE

- Placing money and/or property in a child's name made either to a custodian or to a trust to be gifted to the beneficiary at the age of 18 or 21, depending upon state law.
- This plan comes with many legal concerns, could limit financial aid eligibility, and should be carefully considered for possible outcomes.
- Each alternative saving plan works in regard to federal regulations and state policies.

That fact you are thinking about this is good news. We can help you develop a plan to secure the necessary finances to set your kids up for success. Contact us today to get started!

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