



The 411 on College Savings And Why a 529 Plan Should be a Part of Your Savings Strategy

Jennifer Benson
Sr Field Consultant

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LESLEY UNIVERSITY
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SCHOLARSHARE

CALIFORNIA'S 529 COLLEGE SAVINGS PLAN

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**“Education is the most powerful
weapon which you can use
to change the world.”**

- Nelson Mandela

College tuition and fees increase 63 percent since January 2006

AUGUST 30, 2016

FEBRUARY 25, 2016

Stanford trustees approve 2016-17 tuition and reaffirm the university's financial aid commitment

Under Stanford's undergraduate financial aid program, typical parents with incomes below \$125,000 pay no tuition, and those with incomes below \$65,000 pay no tuition, mandatory fees, room or board.

In the news




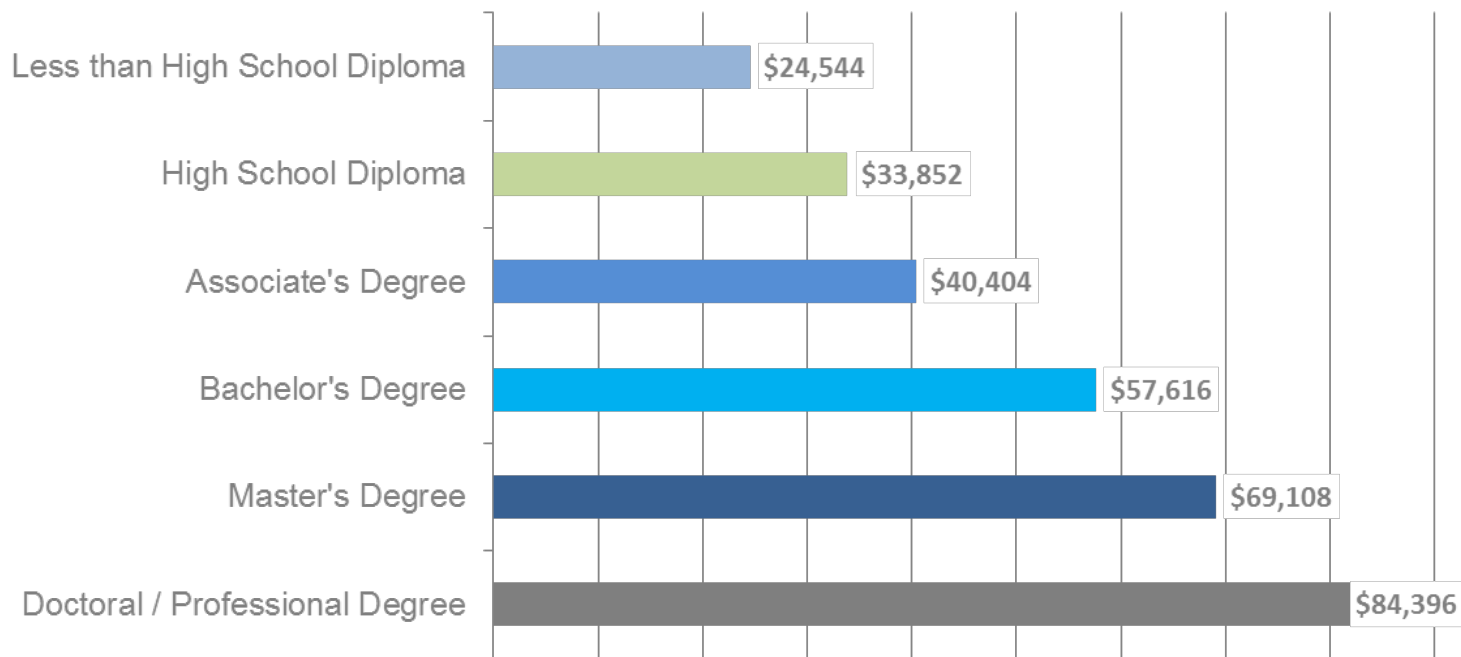
UC regents approve first tuition increase in six years; some students 'infuriated'

Los Angeles Times - 21 mins ago

UC regents vote to lift a six-year freeze on tuition, approving a \$336 increase beginning this ...

Source: United States Department of Labor - Bureau of Labor & Statistics, Stanford News, The Los Angeles Times

Lifetime earnings for an individual with a bachelor's degree significantly outweigh the earnings of someone with a high school diploma.



By 2020, **75%** of all U.S. jobs will require a degree beyond high school, up from **62%** today.¹

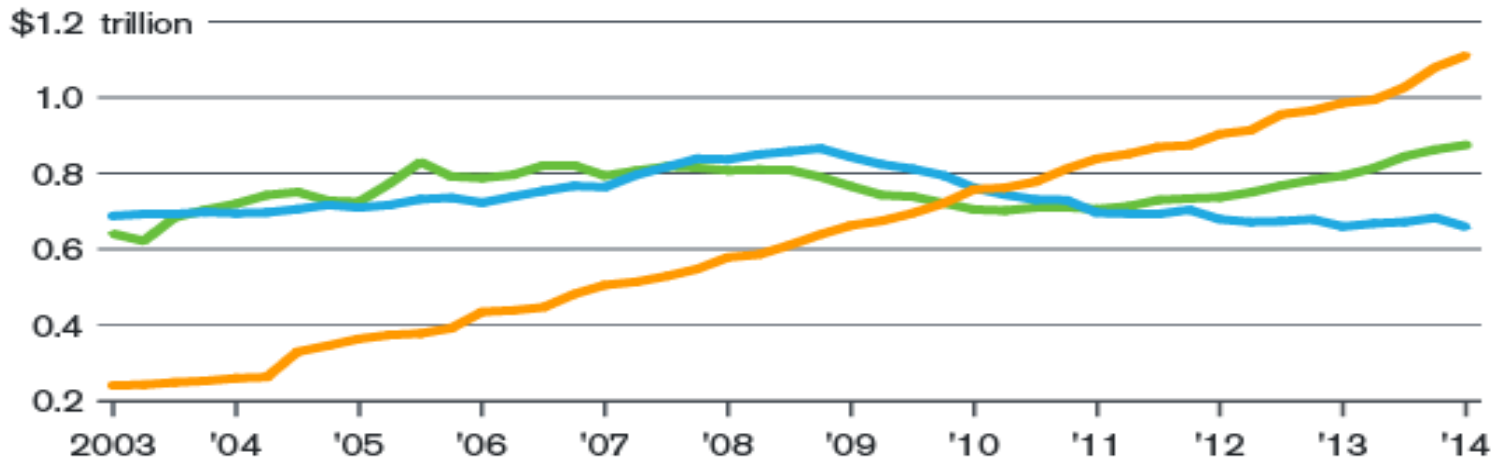
Average annual income data is based on the U.S Bureau of Labor Statistics, Current Population Survey updated as of March 2014. A doctorate or professional degree is the highest degree offered in a field of study.

¹ College Planning Essentials: A comprehensive guide to saving and investing

Owing More for College Than for Cars

U.S. debt by categories, in constant dollars. Education debt is now second only to mortgage loans, which totaled \$8.2 trillion in the first quarter of 2014.

— Student loan — Auto loan — Credit card



Student Debt and the Class of 2015

Seven in 10 seniors (68%) who graduated from public and nonprofit colleges in 2015 had student loan debt, with an average of \$30,100 per borrower. This represents a 4% increase from the average debt of 2014 graduates.

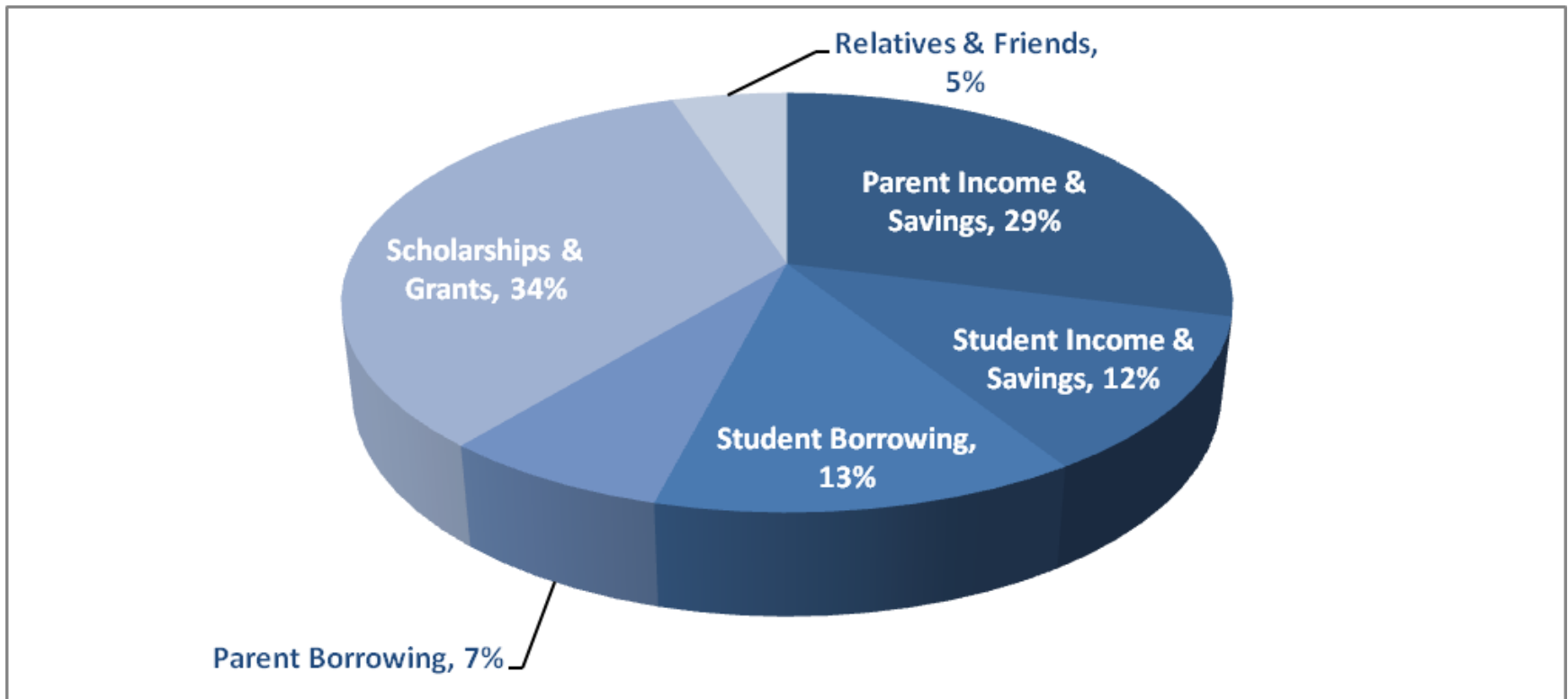
Chart Source: Federal Reserve Bank of New York

1 Project on Student Debt

“SO WHERE DO I START?”

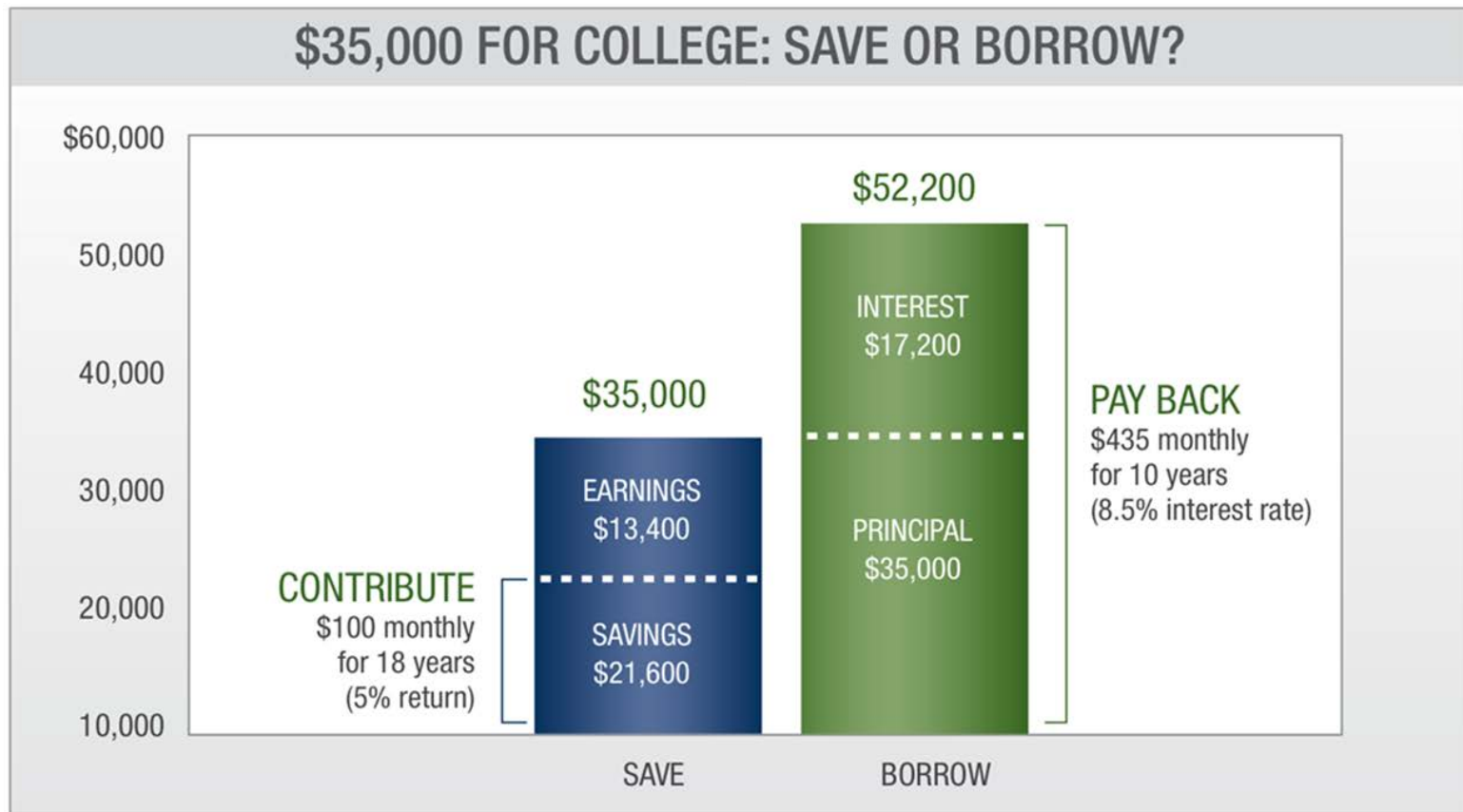
Take a breath and see the big picture

Most American families pay for college using a variety of sources.



Source: How America Pays for College 2016 National Study by Sallie Mae & Ipsos Public Affairs (http://news.salliemae.com/files/doc_library/file/HowAmericaPaysforCollege2016FNL.pdf)

It is cheaper to save now than it will be to borrow later.



529 college savings plans offer an easy and tax-advantaged way to save for post-secondary education with features including:

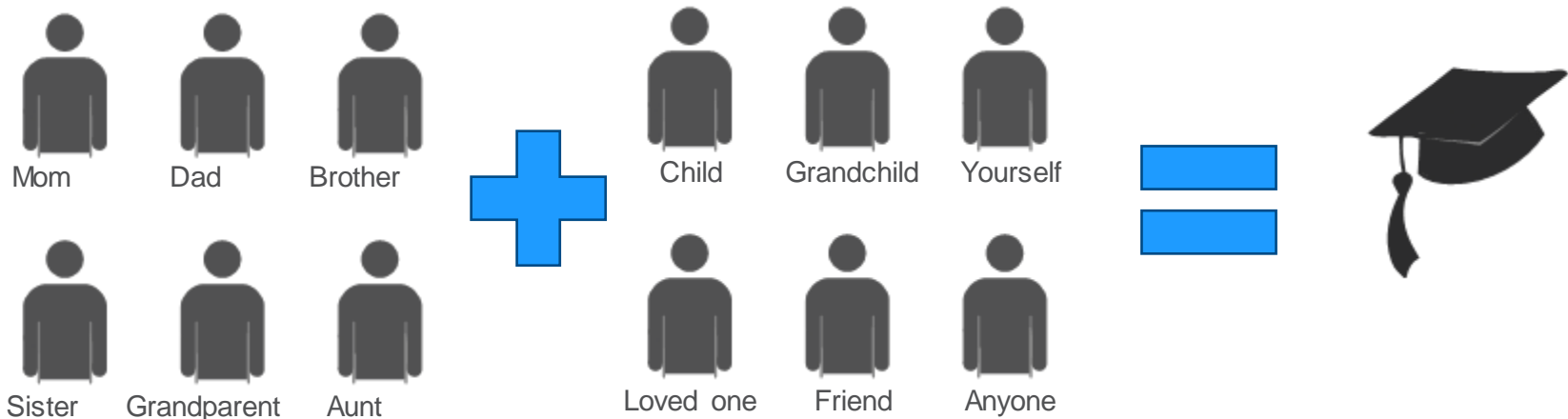
- **Tax-deferred growth potential**
- **Tax-free withdrawals for qualified expenses***
- **A diverse offering of investments**
- **Flexible ownership**
- **Gift and estate tax benefits (consult your tax advisor)**

* Qualified expenses include tuition, fees, certain room & board costs, supplies. Any earnings on nonqualified withdrawals are subject to federal income tax and may be subject to a 10% federal penalty tax as well as state and local taxes, State penalties may vary. The availability of tax or other benefits may be contingent on meeting other requirements.



**“OK, I’VE HEARD ABOUT
529 PLANS, BUT I’VE GOT
SOME QUESTIONS”**

How Do 529 Plans Work?



Account Owner

- No income limitations
- No state residency required
- Full control
- US citizen/Resident
- Corporations, entities & trusts with valid tax ID numbers

Beneficiary (Future Student)

- No age restrictions
- No time restrictions
- No state residency requirement
- Beneficiary can be changed to another eligible family member
- US Citizen/Resident

A College Education

Will my child be limited to attending college in state?

Use of 529 plan funds are not restricted by state or state residency, or to specific individual schools.

Eligible educational institution = Federal Accreditation

Includes:

Four-year Colleges

Universities

Trade Schools and Community Colleges

Graduate schools

International schools

Online Colleges



Check the FAFSA website (www.FAFSA.gov)

Will having a 529 plan disqualify my child for financial aid?

- Parent-owned 529 plans have a relatively small effect on financial aid eligibility.
- Non-retirement investment assets are assessed at a maximum 5.64% rate in determining your child's Expected Family Contribution (EFC) vs. 20% for student assets. *
- If the account owner is a grandparent or non-parent, 529 plan assets will NOT be factored into the EFC, but 529 plan distributions will be considered income to the student and may affect financial aid.*
- Prior Prior year

* The treatment of investments in a 529 savings plan varies by school. Assets are typically treated as the account owner's and not the student's. Any investments, including those in 529 accounts, may affect the student's eligibility to get financial aid based on need. You should check with the schools you are considering regarding this issue. Please consult a financial aid advisor and tax professional for more information.

What if my child gets a scholarship, doesn't go to college, or we need the money for something else?

You may change beneficiary for the account or transfer

Anytime

Eligible family member

Or withdraw funds, which will be subject to taxes on earnings.

Non-qualified: Earning portion subject to state & federal taxes, 10% federal penalty + 2.5% state penalty

Non-qualified with exception: Death, Disability, Military Academy or Scholarship

Earning subject to state and federal taxes

10% federal penalty waived



* New beneficiary must be an eligible member of the family of the beneficiary. See the Plan's program description for more information.

** Any earnings on non-qualified withdrawals are subject to federal income tax and may be subject to a 10% federal penalty tax as well as state and local taxes. State penalties may vary. The availability of tax or other benefits may be contingent on meeting other requirements.

What can 529 plan funds pay for?

Qualified Higher Education expenses includes:

Tuition and fees

Room and board

Books and supplies

Computers and related technology

Housing example: Cost of rent off-campus as long as it is within the school's stated "Cost of Attendance" limit



* Defined as "Qualified Higher Education Expenses" – please refer to "Qualified Higher Education Expenses" outlined in IRS Publication 970 found at <http://www.irs.gov/publications/p970/ch08.html>.

Who Can Contribute to a 529 Plan: **Anyone Can Contribute**

\$14,000/\$28,000

**Maximum Contribution Limit for
ScholarShare: \$475,000 per
beneficiary**

Giftgiving, Estate & Legacy Planning

5-year Gift Tax Exclusion

- **\$70,000/\$140,000**



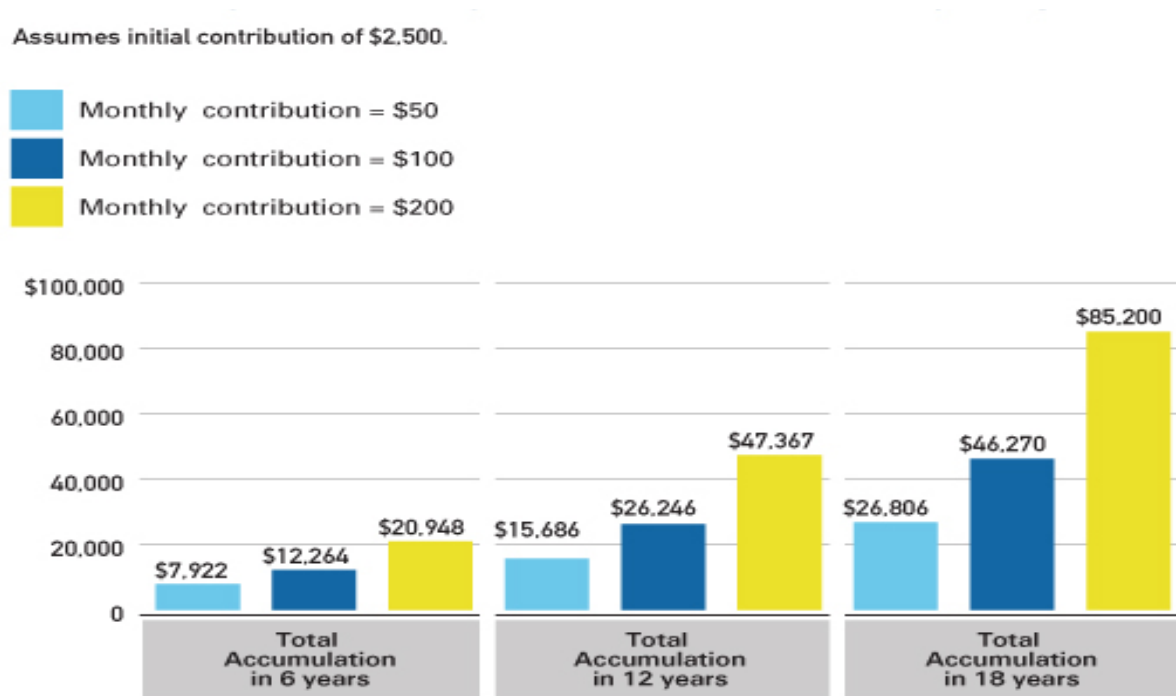
Other ways to gift:

**eGift, Bill pay, Check,
Gift Card**



When should you start saving for Higher Education?

- **Starting Early, Save Regularly and Automatically Can Help:**



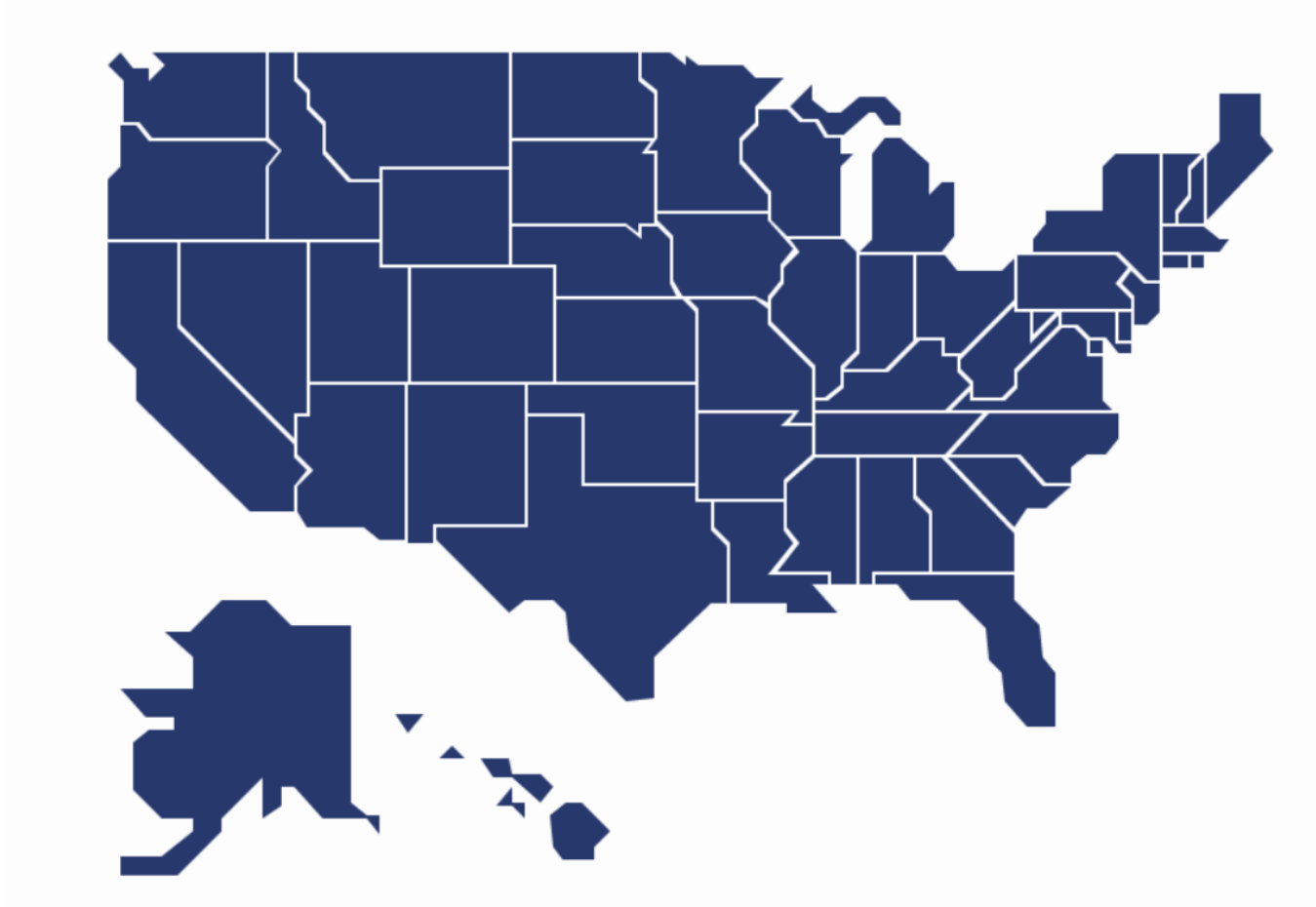
This hypothetical example illustrates the potential future values of different regular monthly investments for different time periods and assumes an annual investment return of 6% with an initial investment of \$2,500 and no withdrawals during the relevant time period. It is presented for illustrative purposes and does not reflect actual performance or predict future results and does not reflect any deduction for expenses or taxes or the benefits of any state or federal tax credits. Account values will fluctuate with market conditions and the specific investment portfolios selected.

How do I choose a 529 plan?

- Easy as 1-2-3

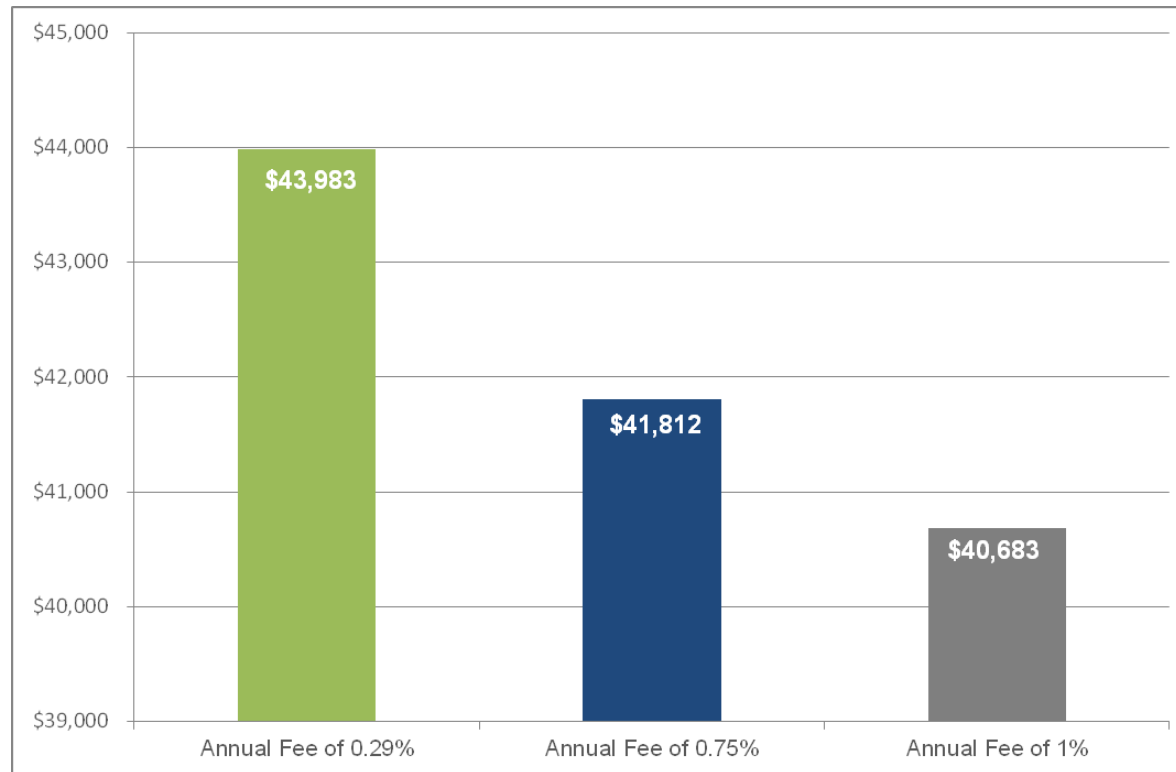


1) Start at Home



2) Cost Matters

Even a small difference in the fees paid in a 529 plan can add up over time.



This hypothetical example compares potential future values of a 529 plan account at different fee levels over 18 years, and assumes an annual investment return of 6% with an initial investment of \$2,500, no withdrawals during the relevant time period, and monthly contributions of \$100. It is presented for illustrative purposes and does not reflect actual performance or predict future results and does not reflect any deduction for expenses or taxes or the benefits of any California or federal tax credits. Account values will fluctuate with market conditions and the specific investment portfolios selected.

3) Understand Your Investments

- Do you like to self-manage your investments or do you prefer to outsource management of the asset allocation by using an age-based portfolio?
- Is the mix of investments or mutual funds in the plan visible and easily understood?
- Is there a cash/guaranteed option available in the lineup?
- Can you rebalance?



19 investment
options

PRINCIPAL
PLUS INTEREST

This hypothetical example compares potential future values of a 529 plan account at different fee levels over 18 years, and assumes an annual investment return of 6% with an initial investment of \$2,500, no withdrawals during the relevant time period, and monthly contributions of \$100. It is presented for illustrative purposes and does not reflect actual performance or predict future results and does not reflect any deduction for expenses or taxes or the benefits of any California or federal tax credits. Account values will fluctuate with market conditions and the specific investment portfolios selected.



“SO TELL ME ABOUT THE SCHOLARSHARE 529 COLLEGE SAVINGS PLAN”

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ScholarShare

Helping families save for college since 1999



Value

- \$25 to get started
No application fee, no transfer fee, no commission, no annual maintenance fee
- Low fee investment portfolios. Average asset based fee across all portfolios is 0.29%

Choice

- 19 investment options featuring passive and active 9-band age-based, asset allocation and single fund portfolios, and a principal protected portfolio option.

Access

- Resources and online account access through ScholarShare.com
- Sales & Service center available at 800-544-5248

Recognition

- 5-Cap Rated Plan by SavingforCollege.com¹
- Silver Medal Rating by Morningstar.com²



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CALIFORNIA'S 529 COLLEGE SAVINGS PLAN

¹September 28, 2016: http://www.savingforcollege.com/529_plan_details/?page=plan_details&plan_id=5

²October 25, 2016: <http://news.morningstar.com/articlenet/article.aspx?id=775806>

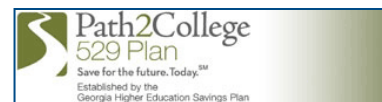
TIAA

- Founded in 1918 under the vision of philanthropist Andrew Carnegie in an effort to support the long term financial security of educators, TIAA is an established global asset manager with award-winning performance and more than \$850 billion under management.

TIAA-CREF Tuition Financing, Inc. (TFI)

- An affiliate of the TIAA group of companies. 529 industry pioneer managing 529 College Savings Programs for states since 1998, managing 10 state programs with more than \$23 billion under management as of December 2016.

State 529 plans managed by TIAA-CREF Tuition Financing, Inc. (TFI):





Set a goal.

- What type of education should we consider?
- What costs should we expect?
- How much of the total cost do we want to pay?



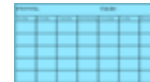
Get started.

- Open your account today
- Save regular and automatically



Create your plan.

- Compare and choose college savings options.
- Review the fees and investment options



Review.

- Annually

**“An investment in knowledge
always pays the best interest.”**

- Benjamin Franklin

Q&A

How can we help?

Contact : Jennifer Benson
Sr. Consultant
510-907-2601
Jabenson@tiaa.org
ScholarShare.com



Thank you

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Consider the investment objectives, risks, charges and expenses before investing in a state 529 plan. Visit the plan website for a Plan Disclosure Booklet containing this and other information. Read it carefully.

Investments in a state 529 Plan are neither insured nor guaranteed and there is a risk of investment loss.

Before investing in a 529 plan, consider whether the state where you or your Beneficiary resides has a 529 plan that offers favorable state tax benefits that are available if you invest in that state's 529 plan.

Taxpayers should seek advice, based on their own particular circumstances, from an independent tax advisor.

Withdrawals that are not used for qualified higher education expenses may be subject to federal income tax and any applicable state income tax, as well as an additional 10% federal penalty tax and state and local taxes on earnings.

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TIAA.org

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