




# Your Guide to Education Planning in Texas

Give Your Loved Ones the Gift of Education Without Compromising Your Financial Goals

No matter how comfortable you are with your existing financial situation and ongoing wealth management, when it comes to your children moving on to higher education, the numbers may come as a shock.

That's why you should include education planning in your financial plan as early as possible. Making sure you've saved for future educational expenses in a way that is both tax-efficient and has minimal impact on your core wealth means your children have the freedom to choose the college or continuing education path that's right for them. Education is a valuable gift; one that all parents want to be able to give to future generations.



## Here are six tips for an education planning strategy that gives your loved ones the strongest foundation for their future:

### 1. Take advantage of tax-advantaged tuition plans.

Instead of including future education funds in your general savings, look into plans that are specifically designed for tuition expenses. 529 education savings plans are tax-advantaged college savings accounts that let you save on a tax-deferred basis. The withdrawal won't be taxed as long as any money you withdraw from a 529 plan is used to pay qualified education expenses. These plans have other unique characteristics: as the owner, you control the account, but it is not considered part of your taxable estate - an important detail for high net worth families.

The specific tax benefits can vary state by state, and there are a number of State of Texas plans and programs administered by the Texas Prepaid Higher Education Tuition Board. They are:

- **Texas Tuition Promise Fund®**: a 529 Prepaid Tuition Plan, letting you prepay for tuition at public in-state establishments at today's tuition rates.
- **Texas College Savings Plan®**: a 529 college savings plan you can invest in on your own.
- **Texas LoneStar 529 Plan®**: a 529 college savings plan that you can invest in through an advisor.
- **Texas ABLE Program®**: a 529A college savings plan for individuals with disabilities.

### 2. Don't discount the Free Application for Federal Student Aid (FAFSA).

The Free Application for Federal Student Aid (FAFSA) determines students' eligibility for financial aid when it comes to higher education, and it's a step in the college application process that many high-net-worth families skip. You may assume your child won't qualify for needs-based assistance based on your family circumstances, but completing the FAFSA is still a crucial part of education planning.



Your family income may mean your child isn't eligible for needs-based aid, but there are actually other factors the FAFSA uses to calculate eligibility, not just income. Things like tuition payments for other students in the family, family assets, and even the cost of studying at a particular school or college are all part of the calculation. Plus, many merit-based aid programs and scholarships require FAFSA submission, so skipping the application could mean losing out.

The FAFSA is for students who are U.S. citizens or eligible non-citizens, but for non-citizen Texas residents, the [Texas Application for State Financial Aid \(TASFA\)](#) is an option. This relates to state rather than federal financial aid.

### 3. Be prepared to negotiate.

It may come as a surprise to learn that education expenses can be negotiable! Compare your child's preferred school's tuition costs to other schools' costs – does the first-choice school seem lacking? If so, it could be worth getting in touch with the school to start negotiating. According to Fulton Bank, many schools are willing to lower their costs by 5% to 15%, so it never hurts to ask.

As with any negotiation, the key is not being afraid to ask for what you want, and understanding what it is that you (and your child) have to offer. It may be that your child has a particular talent or prowess (athletic, academic, or otherwise) that the school is looking for, so their attendance there will benefit the school. Or perhaps you have more than one child looking to attend – private schools often offer discounts to family members.

#### 4. Create a trust to cover education expenses.

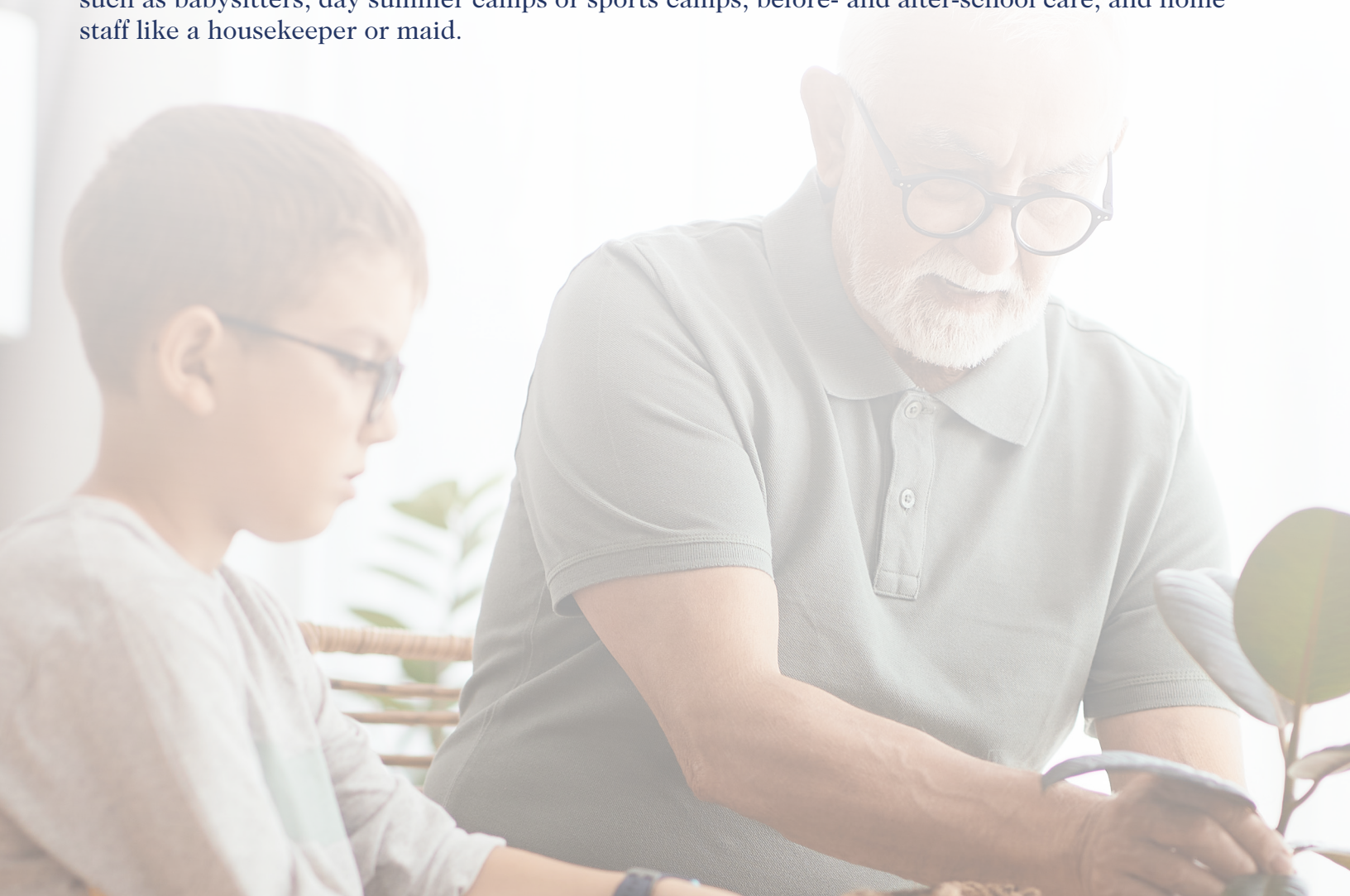
Another way of ring-fencing assets to pay for education expenses is to establish a trust. This way, you can gift property or funds directly to your children or grandchildren to be used to pay for college. It's flexible, with no limit to the amount you can invest into the trust, and you can add stipulations on the way the money has to be spent in the trust document. The distributions can even be paid directly to an educational institution, an extra layer of prudence to prevent the funds from being mismanaged or used for other purposes.

In terms of tax advantages, the assets are no longer part of the grantor's estate. A trust can also be flexible enough to allow the funds to be used for education and other purposes for the child, or to hold other assets.

#### 5. Explore tax savings for younger children.

While the main focus of this guide is planning for expenses relating to higher education, it's worth starting to think about tax planning from the moment you have expenses for your children. The Child and Dependent Care Expenses tax credit, for example, lets you reduce the amount of federal income tax you owe if you pay someone to care for your children (under the age of 13) while you and/or your partner work.

And it covers more than just daycare costs. The credit also applies to other qualified situations such as babysitters, day summer camps or sports camps, before- and after-school care, and home staff like a housekeeper or maid.





## 6. Encourage Dual Credit at High School

Check with your school district about dual credit programs. For example, in Texas, Dallas ISD has partnered with Dallas College as part of a wider Texas initiative that lets high school students earn college credits. Students who take part in the dual credit process can take courses during school hours (either at their high school or at the college) or in their own time. Students who take part in the dual credit process can take courses during school hours (either at their high school or at the college) or in their own time.

As well as earning actual college credits, taking part will give high school students a taste of college classes, including workload and exam expectations. Plus, it will give them a chance to get into college study habits!

## Investing in your family's future

As a financial advisor in Dallas, BFS Advisory Group can offer you specialist support for education planning for Texas residents, whether students choose to go to school here in Texas or across the country . We'll work together, taking into account your unique goals and strategies, so you know exactly what you need to do now to ensure your children or grandchildren have the future they're working towards.

The earlier you include comprehensive education planning into your overall wealth management strategy, the more options you'll be giving future generations of your family. With our help you can make sure your children's dreams and aspirations are protected at the same time as guarding your family's wealth. [Contact us to get started.](#)

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