

Education Planning

What 4 Years of College Could Cost

This 2 page flyer details the current average fixed cost (tuition, fees, room and board) for undergraduates attending in-state 4-year public and private colleges as well as projecting the future cost. And provides a high level overview of 529s.

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The cost of a college education just keeps going up. The average annual fixed cost (tuition, fees, room and board) for undergraduates, 2022-2023 at an in-state four-year public college is \$23,250 and \$53,430 at a four-year private college¹.

The average tuition and fees for an in-state four-year public college increased 1.8% percent and 3.5% for four-year private college in 2022-2023 from last year.

529 College Savings Plans offer significant advantages over other types of education savings plans, including valuable tax benefits. The 529 Plan allows parents, grandparents, friends and family to give today to help meet the cost of a child's education tomorrow.

The table below shows a new parent whose child will be on going to college in 18 years may expect to pay \$165,595 over 4 years in tuition, fees and room and board at an in-state 4-year public school. You would have to save \$359 per month, with a 6% rate of return to meet your savings goal of paying 100% of the cost for all 4 years. And with the projected \$380,547 for 4 years at a private school you would have to save \$824 per month.

What four years of college could cost*†		
Your child's current age	Public school (In-State)	Private school
Newborn	\$165,595	\$380,547
3	\$151,542	\$348,254
6	\$138,683	\$318,702
9	\$126,914	\$291,658
12	\$116,145	\$266,908
15	\$106,289	\$244,259
17	\$100,187	\$230,237

*Source: Saving for College, LLC. Family College Savings Road Map Calculator and the College Board average fixed costs of tuition, fees, room and board for the 2022-2023 academic year.

†Estimates assume a 3% annual increase in costs and 6% rate of return.

For illustration purposes only.

Points to Remember

1. Taxed-Deferred Earnings - All contributions to qualified 529 Plans grow tax deferred; allowing 529 participants to take advantage of the power of tax deferred compounding.
2. Choice of Investment Options – There are several different investment portfolios to choose from within a 529 plan.
3. Distributions for qualified higher educational expenses (QHEE) and qualified educational expenses (QEE) are federal tax-free.
4. Tax-Free Rollovers - You can rollover from one 529 Plan to another 529 Plan for the same beneficiary once every 12 months.
5. The account owner has full control over the account.
6. 529 Plans don't have income limitations for the account owner or beneficiaries.
7. You can only make two investment changes per year. But you can change the investment anytime you change the beneficiary.
8. You have to pay for educational expenses in the same calendar year as you make a withdrawal. If you don't the earnings portion of that withdrawal will be subject to income tax and an additional 10% penalty tax.

¹ The College Board, *Trends in College Pricing 2022*, Page 10 – Table CP-1

Advantages to You:

Tax-Deferred Earnings. Your investment in the 529 Plan grows tax-deferred, and distributions to pay for the beneficiary's college costs come out federally tax-free. The tax deferred growth allows you to take advantage of the power of tax deferred compounding. Depending on your state of residence, there may be an in-state plan that provides tax and other benefits not available through an out-of-state plan. Before investing in any states 529 plan, you should consult your tax adviser.

Choice of Investment Options. Depending on your beneficiary's specific situation and your preferred investment approach, there are several different investment portfolio options to choose from. This allows you to choose the portfolio that suits your particular investment approach to meet your beneficiary's specific situation, risk tolerance, or the length of time until your child starts college.

Distributions for Education Purposes are Tax-Free. Distributions for qualified Higher educational expenses (QHEE) are federal tax-free as a result of the Pension Protection Act of 2006. **QHEE include:** tuition, mandatory fees, room and board, books, computer equipment, supplies and equipment required for enrollment.

- As of 1/1/18, the Tax Cuts and Jobs Act made distributions up to \$10,000 annually per beneficiary used to cover tuition for K-12 at public, private or religious school come out federally tax-free*
- As of 1/1/19, the SECURE Act made distributions for fees, books, supplies, and equipment required for the participation of a designated beneficiary in an apprenticeship program registered and certified with the Secretary of Labor under section 1 of the National Apprenticeship Act come out federally tax-free*
- As of 1/1/19, the SECURE Act made distributions used to repay principal and/or interest on qualified education loans excluded from federal income tax. Qualified distributions are limited to \$10,000 over a lifetime for a 529 plan beneficiary and \$10,000 for each of the beneficiary's sibling*

**529 plan distributions used to pay for K-12 tuition, apprenticeship programs and/or student loan debt may be treated as non-qualified at the state tax level if your state has not conformed to the new federal tax codes. Please check your state rules or consult with a tax advisor before taking a distribution for these expenses.*

If you don't pay for QHEE in the same calendar year as you make a withdrawal, the earnings portion of that withdrawal will be subject to income tax and an additional 10% penalty tax.

Tax Free Rollovers. You can rollover from one 529 Plan to another 529 Plan for the same beneficiary once every 12 months. The new 529 plan must be established within 60 days to qualify as a tax-free rollover. Partial rollovers are also allowed. You may rollover an account to another designated beneficiary who is a "member of the family", which, in most cases, will be tax-free. And you can change the beneficiary as often as you want.

As part of the Secure 2.0 Act beginning in 2024 account owners are able to roll 529 funds into a Roth IRA. If you meet the following requirements, consider rolling the 529 funds into a Roth IRA. Restrictions apply.

Control of the Account. You as the account owner, have control over the account. You decide when withdrawals are taken and for what purpose. You may change beneficiaries (must be related to the original beneficiary to avoid tax and penalty). You can even reclaim the funds for yourself any time you desire, no questions asked. (However, the earnings portion of the "non-qualified" withdrawal will be subject to income tax and an additional 10% penalty tax).

Regardless of which education savings plan you choose; the key is to start saving and to save regularly.

Investors should consider the investment objectives, risks, charges and expenses associated with a 529 Plan before investing. This and other information is available in a Plan's official statement. The official statement should be read carefully before investing.

Depending on your state of residence, there may be an in-state plan that provides tax and other benefits such as financial aid, scholarships and creditor protection that are not available through an out-of-state plan. Before investing in any state's 529 plan, you should consult your tax advisor.