Great outcomes. Done well.

Is college tuition in your financial future?

Wealth Management Insights   May 2013

Tuition at four-year public institutions has increased by 5.2% over the rate of inflation annually for the past decade, with the average cost of tuition and fees for out-of-state students at public four-year institutions reaching $21,706 in the 2012-13 school year. Fortunately there are a number of ways to defray this cost, including student loans. But not all families are eligible, and those who are often don't consider the full implications of such significant debt. Below are some important factors to consider whether college is a year or a decade away for the young person in your life.

High school graduations are often the beginning of significant recurring expenses for many families.

What You Should Know:

1. **Everyone should complete the FAFSA and/or CSS Financial Aid Profile.**

   Even if your income makes your child ineligible for need-based aid, you should fill out the **FAFSA** (Free Application for Federal Student Aid) or the more detailed **CSS Financial Aid Profile**. Failing to do so could take your student out of the running for merit-based or other scholarships available at their school of choice.

2. **Reduce your income.**

   Aid eligibility is based on income as well as a portion of your assets. While you should never attempt to "hide" assets or income on financial aid forms, you can spend down certain assets or defer income. For example:

   - Fully funding your retirement reduces income and adds to retirement assets, which aren't counted against eligibility.
   - You may want to use money in savings accounts to pay down mortgage debt, since you are not expected to use home equity to pay for college but are expected to tap savings.

3. Spend down student assets.
Student assets and income count for more than their parents' and, if you've used UTMA or UGMA accounts to save for college, these assets will be counted in the student's name.

- Consider using these assets for expenses you might otherwise pay yourself, including private high school tuition, a school trip, summer camp, a car for the student or even braces.
- You can put the money you would have spent on the above into a 529 plan.
- Make sure the 529 is registered in the parent's name. Distributions from non-parental 529s count as aid for a student and will reduce their following year's aid dollar for dollar.

4. Talk with your child about the cost of college to manage expectations.
Whether you want your child to pay for a portion of school or you just have limits on what you're willing to spend, it is important to talk with your children about what kind of support they can expect from you.

- Make clear what you are willing to contribute and discuss options to bridge the gap such as getting a job or borrowing money.
- Explain the dangers of taking on too much debt – a subject on which much research is available today.

What you should do now:

If you are saving for a child's education, you should discuss your specific situation and the options available to you with your Financial Advisor. Together you can ensure that the strategy and tools you decide to employ will be appropriately aligned with your broader wealth management goals. ■

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 not available through an out-of-state plan. Before investing in any state's 529 plan, you should consult your tax advisor.