Great outcomes. Done well.

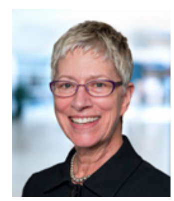
Save Early, Save Smart

Tips for Developing a College Savings Strategy

Wealth Management Insights | September 2016

Having a college savings plan is more important than ever before. While 80% of American adults feel a college education is more important than it was 10 years ago, a full 66% also believe it's more difficult to afford it than in previous years. September's Wealth Management Insights discusses how you can develop a college savings strategy for yourself or the students-to-be in your life.

Getting a college degree is a major investment of time and financial resources. It's important for students and families to plan ahead for the cost of higher education.



*– **Susie Bauer***
529/UIT Manager

What you should know:

1. Consider flexible savings options.

- The best college savings plans often include a variety of strategies and revenue sources.
- Anyone – parents, family friends, other adults – can contribute to a 529 savings plan. Earnings grow federal tax-deferred, and as long as the proceeds are used for qualified expenses such as tuition, fees and books, they are distributed tax-free.
- Be sure to open the 529 account in a parent's name. This not only allows parents to control distributions – it has a strategic benefit, too. Distributions from non-parental 529 accounts may reduce a student's aid in a following year.

2. Be sure to apply for financial aid when college is imminent – but keep new changes to the FAFSA in mind.

- If you or your student will enroll in college next fall, now is the time to apply for financial aid. Starting with the 2017– 2018 school year, you can file the Free Application for Federal Student Aid (FAFSA) on October 1, 2016 – three months sooner than before – using financial information from your 2015 tax return.
- Not all financial aid packages are need-based. It is important to fill out the FAFSA, even if you think you may not qualify for aid. Your student could be eligible for merit-based or other

scholarships you were not aware of prior to filling out the form.

- Applicants will now fill out the FAFSA using prior-year income and tax information. In the past, applicants often had to estimate these figures and return to their application after filing taxes to make corrections.

3. Don't raid your retirement accounts to pay for school.

- Withdrawing pre-tax retirement funds not only depletes your retirement savings – depending on the type of account, these distributions could count as income and reduce your student's financial aid eligibility for the next academic year.
- It is relatively easy to deposit financial gifts from relatives and friends into a student's college savings account. However, it is very difficult (or impossible) to deposit cash into certain types of retirement accounts.
- Remember: You can borrow for a college education if necessary, but you cannot borrow for retirement.

What you should do now:

A college education is a significant expense, but a disciplined savings plan can help alleviate the financial burden. Your Baird Financial Advisor can help you identify the college savings strategies that could work for your situation and create an attainable plan. ■

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.