



PREPARE FOR TOMORROW'S EDUCATION GOALS TODAY

As education costs continue to rise, many families are looking for ways to prepare without sacrificing other financial priorities. Understanding the tools available and starting early can help create greater flexibility when planning for future educational goals.

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UNDERSTANDING THE TOOLS AVAILABLE FOR EDUCATION PLANNING



BUILDING FLEXIBILITY FOR FUTURE EDUCATION EXPENSES

For many families, education savings is an opportunity to invest in future possibilities while taking advantage of options that support long-term planning.

A 529 plan is one of the most commonly used education savings tools because it combines flexibility with tax advantages. Contributions grow tax-deferred, and withdrawals are federal income tax-free when used for qualified education expenses.

529 plans can often be used for more than traditional college tuition. Qualified expenses may include the following, though eligible uses can vary by state:

- Tuition, room and board, books, and supplies at eligible colleges, universities, trade schools, and vocational programs
- Up to \$20,000 annually for K-12 tuition
- Up to \$10,000 toward qualified student loans for the beneficiary or a sibling
- Certain apprenticeship and credentialing programs

Recent legislation also created additional flexibility. Under current rules, eligible beneficiaries may roll over up to \$35,000 over their lifetime from an unused 529 plan into a Roth IRA, subject to specific requirements and annual contribution limits. Families can also change the beneficiary to another qualifying family member if plans change.

The reality is that education costs continue to rise. Today, the estimated price of a four-year education at a California public university exceeds \$175,000 for in-state students, while many private California universities exceed \$325,000. Assuming education costs continue increasing at approximately 4% annually, those figures could grow to more than \$260,000 and \$480,000, respectively, over the next decade.

Rather than trying to predict where a child or grandchild will attend school, consider starting with a simple question: **What would you like future education options to look like for your family?** Even modest contributions made consistently over time create greater flexibility when those decisions arrive.

If you'd like to explore how a 529 plan could fit into your family's education and long-term planning goals, we'd be happy to help.



THE LONG-TERM IMPACT OF STARTING EARLY

When it comes to education savings, time can be one of the most valuable resources. Starting early allows families to spread contributions over many years, making the process feel more manageable while creating additional opportunities for growth.

Example A: The Power of Starting Early

Consider two families with the same college savings goal. One begins contributing \$350 per month at birth, while the other waits until high school to start saving.

Assuming a 6% annual rate of return, the family that starts early reaches the same goal while contributing \$45,000 less out of pocket. Why? Time allows compound growth to do much of the work. Over an 18-year period, investment growth accounts for approximately 45% of the final account value, generating more than \$60,000 toward the education fund. To reach that same balance in just four years, the late-starting family would need to contribute approximately \$2,500 per month.

Because 529 plans offer tax-advantaged growth, those earnings can grow free from federal income tax when used for qualified education expenses, allowing more of your savings to remain invested for your family's future.

Did You Know? Many 529 plans have no large upfront funding requirement, allowing families to begin with relatively modest monthly contributions.

Example B: Turning Gifts Into Future Opportunities

Education planning doesn't have to fall entirely on parents. Many grandparents and family members choose to contribute to a child's 529 plan in place of traditional birthday or holiday gifts, creating a lasting impact that extends well beyond the celebration.

Current rules allow individuals to contribute up to \$19,000 annually per beneficiary, or \$38,000 for married couples, without triggering federal gift taxes. Families may also be able to accelerate contributions through a strategy known as "superfunding," which allows up to five years of gifts to be contributed at once, subject to IRS rules and limitations.

Did You Know? Family members can contribute directly to an existing 529 account. If you'd like to explore this option, our team can help coordinate the process.

Whether contributions come from parents, grandparents, or other loved ones, the goal isn't to save for every future expense. Rather, it's to create flexibility and reduce financial pressure when education decisions arise.

Small, consistent contributions can add up over time. If you're considering a 529 plan or would like to explore education savings strategies, reach out to get started.



BALANCING EDUCATION SAVINGS WITH RETIREMENT GOALS

One of the most common questions families ask is, "Should I prioritize saving for college or retirement?" While every situation is different, a helpful starting point is remembering that students often have multiple ways to help fund their education through scholarships, grants, work-study programs, and loans. Retirement, however, relies on the savings and planning decisions you make today.

Before aggressively funding education accounts, make sure your retirement strategy remains on track. Contributions to retirement accounts such as a 401k or IRA not only support your future financial security but may reduce your current taxable income and, in some situations, improve eligibility for need-based financial aid.

A helpful rule of thumb is to view retirement savings as the foundation and education savings as the next layer. Once you are making meaningful progress toward retirement goals, you can determine how much additional cash flow can be directed toward a 529 plan.

Not all savings vehicles are treated equally when financial aid is calculated. Retirement accounts are generally excluded from FAFSA asset calculations, while education savings and other non-retirement assets may be considered.

Ownership matters as well. Parent-owned 529 plans typically receive more favorable treatment than assets held directly in a student's name. Under current FAFSA rules, grandparent-owned 529 plans may also offer planning flexibility without negatively impacting financial aid eligibility in the same way they once did.

Education funding rarely follows a straight line. Scholarships, changing career paths, community college transfers, vocational programs, and evolving family circumstances can all influence how much funding is ultimately needed.

Fortunately, 529 plans offer flexibility. If a student receives a scholarship, families may be able to withdraw an equivalent amount from the account without the standard 10% penalty on earnings. Unused funds can also be transferred to another eligible family member or, under certain conditions, rolled into a Roth IRA, subject to a \$35,000 lifetime rollover limit.

If you're balancing education savings, retirement planning, or evaluating how a 529 plan fits into your family's overall strategy, we're here to help you explore your options.



KNOW SOMEONE PLANNING FOR FUTURE EDUCATION COSTS?

One of the greatest compliments we receive is an introduction to a friend or family member who may benefit from thoughtful financial guidance. Whether they are building wealth, preparing for retirement, planning for future family goals, or navigating life's financial transitions, we would be happy to serve as a resource.

Feel free to forward this newsletter or connect us directly with someone who may benefit from a conversation.

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«EXCELLENCE IMPLIES STRIVING FOR THE HIGHEST
STANDARDS IN EVERY PHASE OF LIFE»

— John W. Gardner —

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Investors should carefully consider the investment objectives, risks, and charges and expenses associated with 529 college savings plans before investing. More information about 529 college savings plans is available in the issuer's official statement available through your financial advisor, and should be read carefully before investing.

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