

# College Financial Planning

## Building a Solid Foundation for College Funding

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Navigating the vast landscape of college financial planning can seem daunting. From evaluating college costs to expertly managing funding sources, it's important to have a comprehensive understanding of the basics. That way, you can make informed decisions when laying the groundwork for a successful college funding plan.

## Decoding the Essentials

### Estimate Costs

The initial step in your college financial planning journey is to estimate the potential education costs. Assess which school(s) you're considering, their locations, and institution types (public vs. private). When considering multiple institutions, compare the costs of each to determine your cost range. Analyze the costs and consider expenses beyond tuition, including housing, living expenses, books, etc. While opting for a community or state college over a private institution often means lower tuition costs, public colleges located far from home will require you to factor in housing and living expenses.

### Review Funding Options

Understanding funding sources, including personal savings, scholarships, grants, and student loans, is also key.

- **Personal Savings:** Funds accumulated over time in accounts like 529 plans that offer tax advantages for higher education expenses
- **Scholarships and Grants:** Payment made to support a student's education, scholarships and grants are awarded based on merit or achievement and do not have to be repaid. They require effort for researching potential opportunities and submitting applications and can be acquired via various avenues. So, it's wise to connect with high school counselors and potential college admissions personnel for recommendations.
- **Student Loans:** Money borrowed from the federal government or a private entity to pay for education, loans must be repaid with interest. While often necessary, they should be considered as a last resort when devising your financial plan. Remember, borrowing to fund your (or your child's) education is a long-term financial commitment. Sourcing funds via loans means you may be repaying them for several years post graduation.

College financial planning is more than determining how much to save. It also requires assessing when, where, and how to save and invest your funds. The earlier you start, the better as time allows your savings/investments to compound and grow more effectively. Before devising your financial plan, let's dive deeper into scholarships, grants, and financial aid.

## Unlocking Scholarships, Grants, & Financial Aid

Scholarships, grants, and financial aid are an integral part of making higher education more accessible. Unlocking these opportunities can significantly lighten the burden of college expenses. Here's what you need to know...

### Scholarships: Where Merit Meets Opportunity

Scholarships are essentially free money awarded based on various criteria such as academic achievements, extracurricular involvement, or specific talents. They can be offered by colleges, corporations, nonprofit organizations, or government entities. Start your scholarship search early and cast a wide net. Numerous scholarships are available for various fields of study, backgrounds, and interests.

While scholarships are often available to those who have spent time honing skills in areas like sports, music, art, journalism, they are also available through financial institutions, and a myriad of other places. Key online resources include:

- Scholarships.com
- Accessscholarships.com



### Grants: Financial Assistance Based on Need

Grants, offered through local, state and federal government agencies including Sallie Mae and the Federal Pell Grant Program, are awarded based on financial need and do not have to be repaid. Federal and state governments, colleges, and private organizations typically award grants to low-income students. To be considered for grants, complete the [Free Application for Federal Student Aid \(FAFSA\)](#) to determine your eligibility.

\*\*It's advisable to complete your FAFSA regardless of whether or not you're eligible for grant money, as a FAFSA application is required for most loan programs. Additionally, some colleges may require the [CSS Profile form](#) for assessing institutional grant eligibility.

### Work-Study Programs: Earning while Learning

Work-Study programs provide part-time employment opportunities on or off-campus for students in financial need. These programs help cover educational expenses and offer valuable work experience. Participating in a work-study program can provide a steady income stream and help reduce reliance on student loans.

### Institutional & Departmental Scholarships/Grants

Many colleges and universities offer their own scholarships and grants to attract exceptional students or those who meet specific criteria. These can vary widely in terms of eligibility, amount, and application process. Research the financial aid page of your target school(s) to uncover these opportunities and contact the academic department(s) to inquire about scholarships or grants specifically tailored to your area of study.

## Navigating 529 Plans

529 plans, or state-sponsored investment accounts, are tax-advantage savings vehicles designed to help families save for higher education expenses like tuition, fees, books, supplies, and certain room/board costs. While each 529 plan is different (state agency or educational institution selects a plan manager for each plan and determines the rules and limits for the plan), they offer families the opportunity to capitalize on tax-free growth and withdrawal! Whether you have an unborn child, toddler, or teenager, it's never too early (or late) to start planning.

### Exploring 529 Account Options

There are two types of 529 plans - prepaid tuition plans and college savings plans. **Prepaid tuition plans allow you to lock in future tuition costs** at today's prices, providing potential savings if tuition increases in the future. Currently, nine states offer prepaid tuition plans. Alternatively, **college savings plans function more like investment accounts**, allowing you to choose from various investment options to grow your savings over time.

Investing early in a 529 account lengthens the time horizon to contribute to it, potentially enabling your savings to grow more significantly.

### Benefits of Opening a 529 Plan

- **Tax advantages:** Earnings grow tax-free, and withdrawals for qualified expenses are not subject to federal taxes.
- **Flexibility:** Funds can be used to cover costs of eligible institutions nationwide, including colleges, universities, trade schools, and even international institutions.
- **Control:** Families retain control of the account, deciding when and how to use the funds.
- **Roth Funding:** Per the Secure 2.0 Act, \$35,000 of your 529 fund can be rolled over into a Roth IRA for the beneficiary(ies) if the funds are not used for college. \*Restrictions and provisions apply for this type of conversion, so be sure to connect with your advisor before implementing.

Planning early to fund a 529 account can work synergistically with student loans to cover future education costs, allowing families to engage in a more balanced approach to financing education. Investing early in a 529 plan lengthens the time horizon to contribute to it, potentially enabling your savings to grow more significantly and allowing you to make smaller, more manageable contributions.

Remember to plan and consult with your advisor to ensure 529 plans align with your specific financial goals and circumstances. For more information about 529 plans, visit the SEC's 529 page and [my529.org](http://my529.org).



## Key Takeaways

While embarking on a college financial plan can seem intimidating, maybe even unattainable to some, it isn't. With the right information, and a trusted advisor to provide guidance, you can embark on the journey and start saving and investing today. Estimating costs, understanding and tapping into the various funding sources, and consulting with an experienced professional about 529 plans are excellent steps to take in building a balanced and successful college funding plan.

Want to get started? Contact our office today to speak with an advisor.

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**Plan well. Live fully.**

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