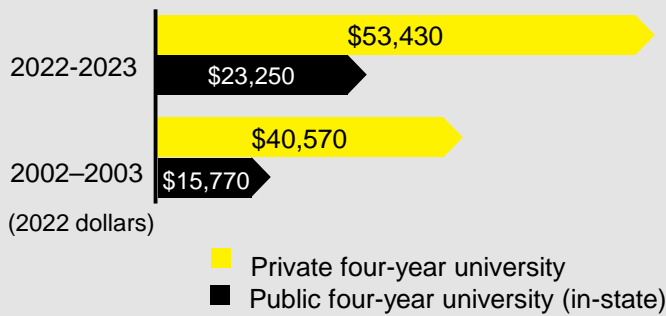


# Planning for the Cost of Higher Education

## Average Annual Cost<sup>2</sup> (Tuition, Books, Housing)



Savings Vehicle	Description
<b>529 Plans</b>	State sponsored education savings vehicle. Tax-free withdrawals for qualified education expenses. Can be used for K-12 and higher education.
<b>Coverdell ESA</b>	After-tax savings and tax-free withdrawals for qualified education expenses. Contribution limit of \$2,000 per year. Can be used for K-12 and higher education.
<b>Roth IRA</b>	After-tax retirement account. May avoid early withdrawal penalties for qualified education expenses.
<b>Custodial Account</b>	Taxable account in the name of the minor. Contributions are irrevocable gifts; earnings up to \$2,300 may be taxable at the minor's tax rate. <sup>1</sup>
<b>Taxable Investment Account</b>	Taxable investment account; provides most flexibility for use of funds. No special tax benefits for education savings.

Federal Loans	Private Loans
<ul style="list-style-type: none"> <li>Fixed rate</li> <li>May be tax deductible</li> <li>Up to 10 years</li> <li>Interest can be deferred until after graduation</li> <li>Payment plans tied to income</li> <li>Eligible for Direct Consolidation Loan</li> </ul>	<ul style="list-style-type: none"> <li>Fixed or variable</li> <li>May not be tax deductible</li> <li>Generally 5 – 20 years</li> <li>Interest typically begins right away</li> <li>Extended and graduated repayment plans</li> <li>Eligible for refinancing</li> </ul>

Grants	Scholarships
<ul style="list-style-type: none"> <li>Considered “gift aid;” does not need to be repaid<sup>1</sup></li> <li>Federal, state, university and private grants</li> <li>Most are based on financial need</li> </ul>	<ul style="list-style-type: none"> <li>Considered “gift aid;” typically does not need to be repaid</li> <li>Academic, athletic, organizational scholarships</li> <li>Typically based on merit</li> </ul>

Financial Aid Eligibility
<ul style="list-style-type: none"> <li>Financial need<sup>3</sup> <ul style="list-style-type: none"> <li>Cost of attendance</li> <li>Expected Family Contribution (EFC)</li> <li>Year in school</li> <li>Enrollment status</li> </ul> </li> <li>U.S. citizen or eligible noncitizen</li> <li>Enrolled in an eligible degree or certificate program</li> <li>Other factors considered</li> <li>Apply by completing the Free Application for Federal Student Aid (FAFSA<sup>®</sup>)</li> </ul>



Benefits website: <http://CatBenefitsCenter.com>  
Benefits Center: 877-228-4010 Mon–Fri, 8AM–6PM CT

<sup>1</sup> Unearned earnings above \$2,300 may be subject to the parents' marginal tax rate. See “Kiddie Tax”, IRS Tax Topic 553 for more information.

<sup>2</sup> <https://research.collegeboard.org/trends/college-pricing/highlights>

<sup>3</sup> <https://studentaid.gov/complete-aid-process/how-calculated>

Information here is provided solely to supplement the “Planning for the Cost of Higher Education” presentation. This information should not be considered advice, and your information may warrant consideration of other alternatives. Please speak with your financial advisor and/or tax advisor.