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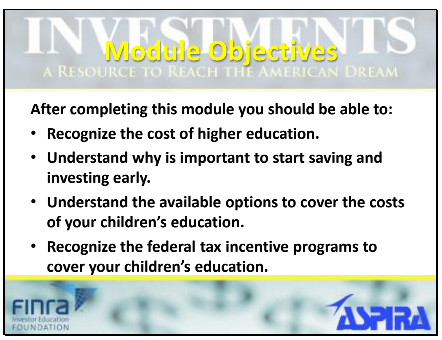

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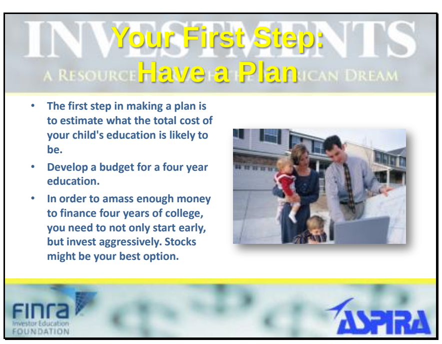

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How much should I save for my children education?

- It's easier to save for post-secondary education if you understand the costs involved. Here's a summary of some of the costs you can expect:
  - Tuition: between $2,272 and $22,218 a year
  - Room and board: $6,000 a year
  - Books and materials: $850 - $2,900
- Four years of college: up to $125,000

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Options on How to Afford your Child Education

- Pay as You Go
- Pay Later
- Find Someone to Help Pay
- Save Now for More Freedom and More Choice Later:
  - 529 Plans
  - Coverdell Education Savings Accounts (ESAs)
  - U.S. Savings Bonds
  - IRA

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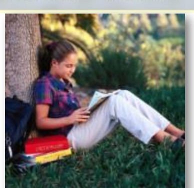
Federal Tax Incentive Programs to Cover your Child Educational Costs

- Qualified Tuition Programs (529 plans), there are two types:
  - pre-paid tuition plans
  - college savings plans



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What are the differences between pre-paid tuition plans and college savings plans?

Pre-paid tuition plans

- Allow college savers to purchase units or credits at participating colleges and universities for future tuition.
- Sponsored by state governments and have residency requirement.
- Many state governments guarantee investments in pre-paid tuition plans that they sponsor.

College savings plans

- It allows for establishing an investment account for a beneficiary (student) to cover for future college expenses.
- College savings plans can generally be used at any college or university.
- Funds are not guaranteed by state governments and are not federally insured.

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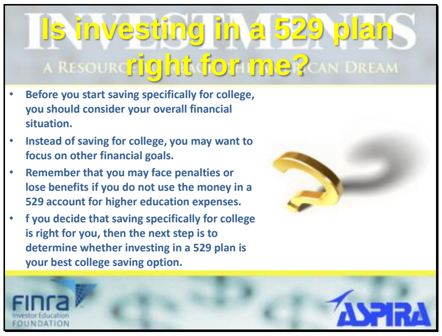

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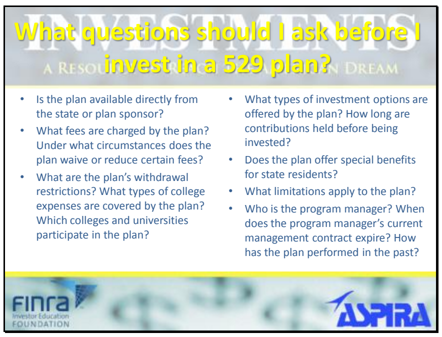

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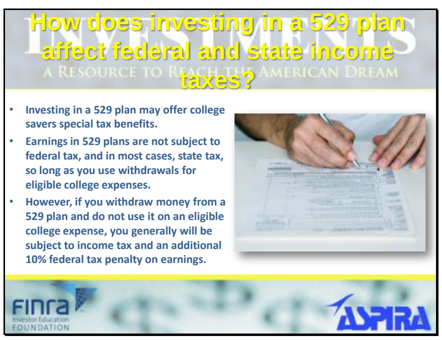

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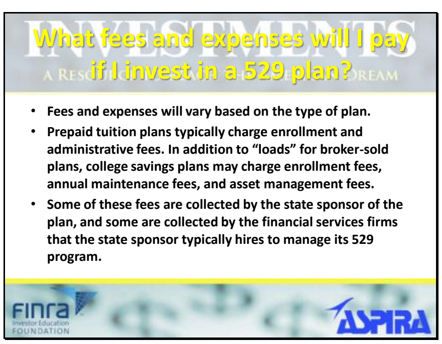

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Fees for broker-sold 529 plans

- Many broker-sold 529 plans offer more than one class of shares, which impose different fees and expenses:
  - *Class A shares* typically impose a front-end sales load (i.e. 5%). Front-end sales loads reduce the amount of your investment.
  - *Class B shares* typically do not have a front-end sales load. Instead, they may charge a fee when you withdraw money from an investment option, known as a deferred sales charge or “back-end load.”
  - *Class C shares* might have an annual distribution fee, other annual expenses, and either a front- or back-end sales load. But the front- or back-end load for Class C shares tends to be lower than for Class A or Class B shares, respectively.

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Is there any way to purchase a 529 plan but avoid some of the extra fees?

- ***Direct-Sold College Savings Plans***. States offer college savings plans through which residents and, in many cases, non-residents can invest without paying a "load," or sales fee. This type of plan, which you can buy directly from the plan's sponsor or program manager without the assistance of a broker.

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What restrictions apply to an investment in a 529 plan?

Withdrawal restrictions apply to both college savings plans and pre-paid tuition plans. With limited exceptions, you can only withdraw money that you invest in a 529 plan for eligible college expenses without incurring taxes and penalties.

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Does investing in a 529 plan impact financial aid eligibility?

- While each educational institution may treat assets held in a 529 plan differently, investing in a 529 plan will generally reduce a student’s eligibility to participate in need-based financial aid.
- The 529 will be treated as parental assets in the calculation of the expected family contribution toward college costs.

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Coverdell Education Savings Accounts

Coverdell accounts are trusts created exclusively for the purpose of paying the qualified education expenses of the designated beneficiary of the trust. They are exempt from federal taxation and have the following characteristics:

- Contribution Amount: Maximum of $2,000 per beneficiary from all sources per year.
- Account Ownership: Coverdell accounts may be owned by the student or the student's parent.
- Contribution Age Limit: Contributions may be made until the beneficiary reaches age 18.
- Withdrawal Age Limit: The money must be used by the time the child reaches age 30 or the earnings will be taxed as ordinary income plus a 10% penalty.

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Coverdell Education Savings Accounts (2)

- Rollovers: Coverdell accounts may be rolled over to the Coverdell account of a family member of the previous beneficiary.
- Income Phase outs: Contributions are phased out for incomes between $95,000 and $110,000 (single filers) or $190,000 and $220,000 (married filing jointly).
- Corporations May Contribute: Corporations, including tax-exempt organizations, may contribute to an individual's Coverdell account, regardless of income level.
- Contributions in Cash: Contributions must be in the form of cash. Contributions of stocks, bonds, and other savings vehicles are not permitted.

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Coverdell Education Savings Accounts (3)

- Investment Restrictions: No part of trust assets may be invested in life insurance contracts.
- Exceptions: There are no age limits for special needs beneficiaries.
- Financial Aid Impact: Treated as an asset of the account owner. If the account owner is the student, this has a high impact on financial aid eligibility.
- Income Tax Implications: Contributions are not deductible on federal or state income tax, but earnings accumulate tax-free.
- Estate Tax Implications: Contributions are removed from the donor's gross estate but included in the beneficiary's gross estate.
- Qualified Expenses: Primary, secondary, and postsecondary education expenses, including tuition, fees, tutoring, books, supplies, related equipment, room and board, uniforms, transportation and computers.

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Coverdell Education Savings Accounts (4)

- Coordination with Section 529 Plans: You can contribute to both a Coverdell account and a section 529 plan in the same year, but there may be gift tax implications if you give more than $12,000 per beneficiary.
- Coordination with Education Tax Credits: You can claim a Hope Scholarship and/or Lifetime Learning tax credit in the same year as you withdraw funds from a Coverdell Account.
- Qualified Education Expenses: In addition to higher education expenses such as tuition and fees, Coverdell Education Savings Accounts can also be used to pay for elementary and secondary education.

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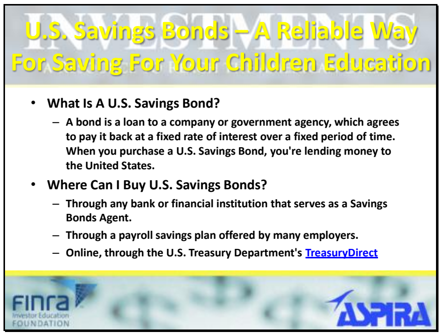

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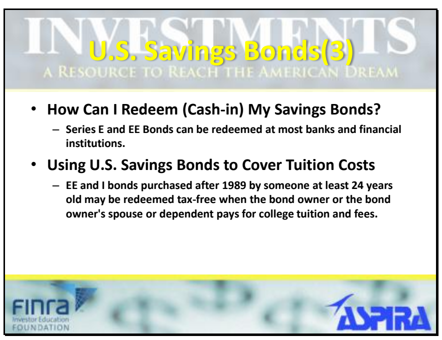

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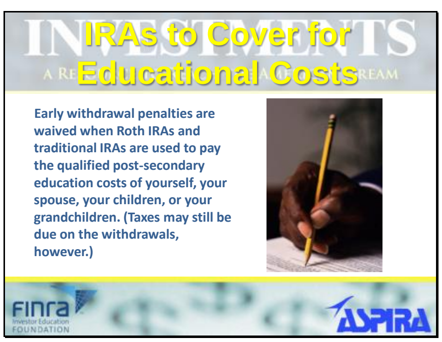

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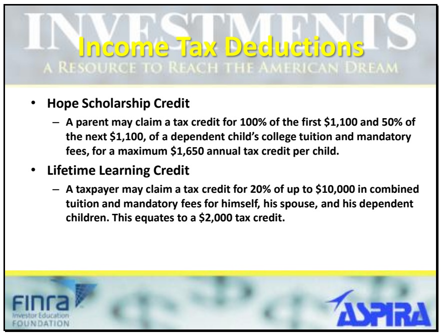

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