ILG FINANCIAL LLC
Income, Legacy, Growth

YOUR COLLEGE PLANNING GUIDE

WHAT YOU NEED TO KNOW

STRATEGIC GUIDANCE FOR TODAY'S COLLEGE PLANNING NEEDS

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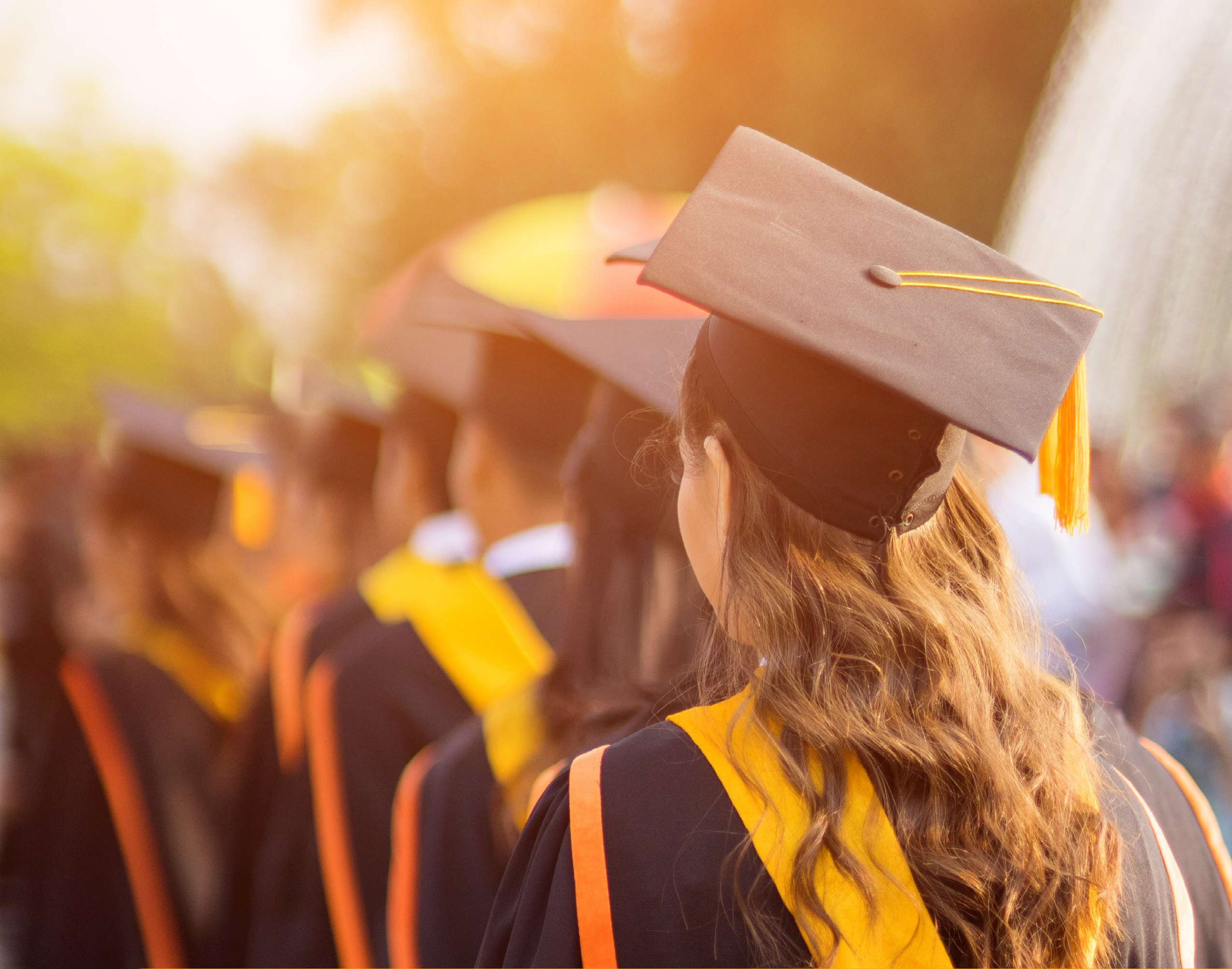
OVERVIEW

Saving for college remains one of the most important financial goals for families across the United States. And each year, college costs continue rising. But effective college planning is not only about affordability. It's also about maximizing tax efficiency, supporting legacy goals, and preserving long-term wealth.

This whitepaper presents a high-level overview of modern college planning strategies. It explores the role of 529 plans, complementary savings vehicles, and tax-smart strategies. The goal is to align college savings with your broader financial plans and to spark informed conversations with your financial advisor.

Key Takeaways:

- College costs continue to rise fast, impacting financial strategies.
- 529 plans are tax-advantaged tools that offer flexibility, estate planning benefits, and growth potential.
- High-net-worth investors can benefit from advanced strategies such as super funding and multigenerational planning.
- Diversification across savings vehicles may provide greater flexibility and tax efficiency.
- Coordinated planning helps avoid common pitfalls like overfunding or underusing tax advantages.



THE RISING COST OF HIGHER EDUCATION

The cost of college has grown significantly over the past few decades. For those pursuing a bachelor's degree, average annual tuition and fees for a private college now exceed $40,000, while out-of-state public university costs approach $30,000[1]. Further, college tuition prices have increased dramatically faster than other common household expenses[2]. This scenario makes paying for college one of the most expensive family needs. For families planning to send more than one child to college, the projected costs can exceed half a million dollars.

How Families Pay for College

To pay for college, families turn to a variety of funding strategies. While borrowed funds make up 22.5% of how people pay for college, other non-borrowed costs comprise 54.8% of available college funds. These other strategies include income, scholarships, grants, and more[3]. Diversifying how you pay for college can help you overcome expenses — as long as you are aware these strategies are available.

Impact on Affluent Families

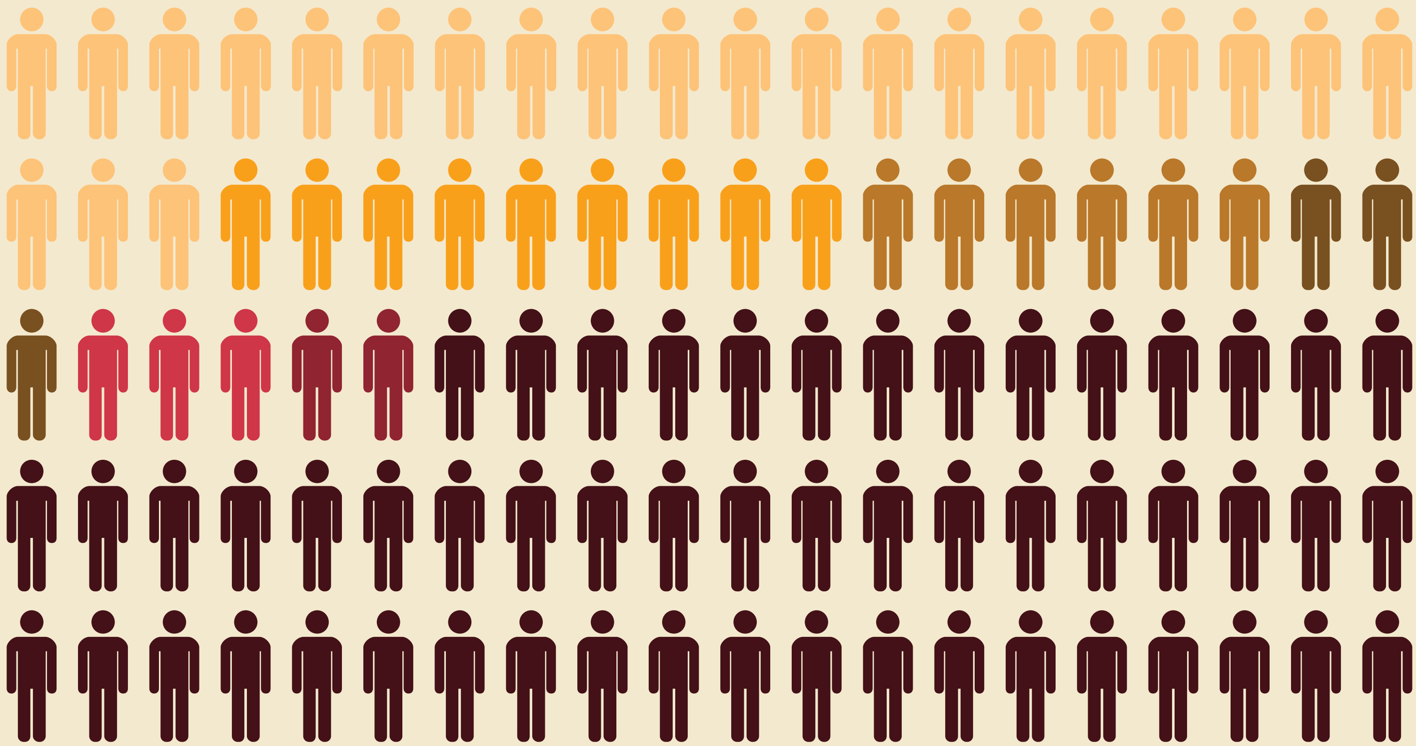
Even families with substantial investible assets must plan thoughtfully. If not carefully managed, college expenses can disrupt portfolio strategies, reduce liquidity, or impact retirement timelines. A proactive and thorough college-funding strategy is critical for overcoming these potential challenges.

Emotional and Legacy Considerations

Many affluent investors see education as part of their family legacy. Planning for education can also reinforce family values, foster responsibility in the next generation, and provide meaningful intergenerational impact.

COLLEGE STUDENT TUITION FUNDING BY SOURCE

- 22.5% Borrowed
- 8.6% College Savings Fund (ex. 529)
- 6.3% Other Parent Savings/Investments
- 3.3% Student Savings Fund
- 2.9% Parent Retirement Savings
- 1.6% Other Student Savings/Investments
- 54.8% Other Non-Borrowed*



*Includes current income, scholarships, grants, gifts, and any other funds that do not need to be repaid
Education Data Initiative source: Sallie Mae

THE ROLE OF 529 PLANS

529 plans are state-sponsored education savings plans. They offer federal tax-deferred growth and tax-free withdrawals for qualified education expenses, such as tuition and room and board[4]. These helpful savings tools can be an effective part of a college-funding strategies. However, more than half of parents don't even know 529 plans are available to them. Talking with your financial advisor about 529 plans is a beneficial step in preparing to save for college.

Two Types of 529 Plans

Families can choose from two different types of 529 plans to meet their savings goals[5] :

1. **Prepaid Tuition Plans**
   Allows you to save toward tuition costs using today's rates. You can pay in a lump sum or through ongoing payments.
   - ***Who can save?*** Parents, grandparents, and others
   - ***What does it cover?*** Tuition only at eligible institutions (public and private colleges and universities)

2. **Savings Plans**
   Allows you to save toward tuition and expenses.
   - ***Who can save?*** Students, parents, grandparents, relatives, friends
   - ***What does it cover?*** Tuition and related expenses like textbooks and computers at eligible higher-education institutions and K – 12 tuition

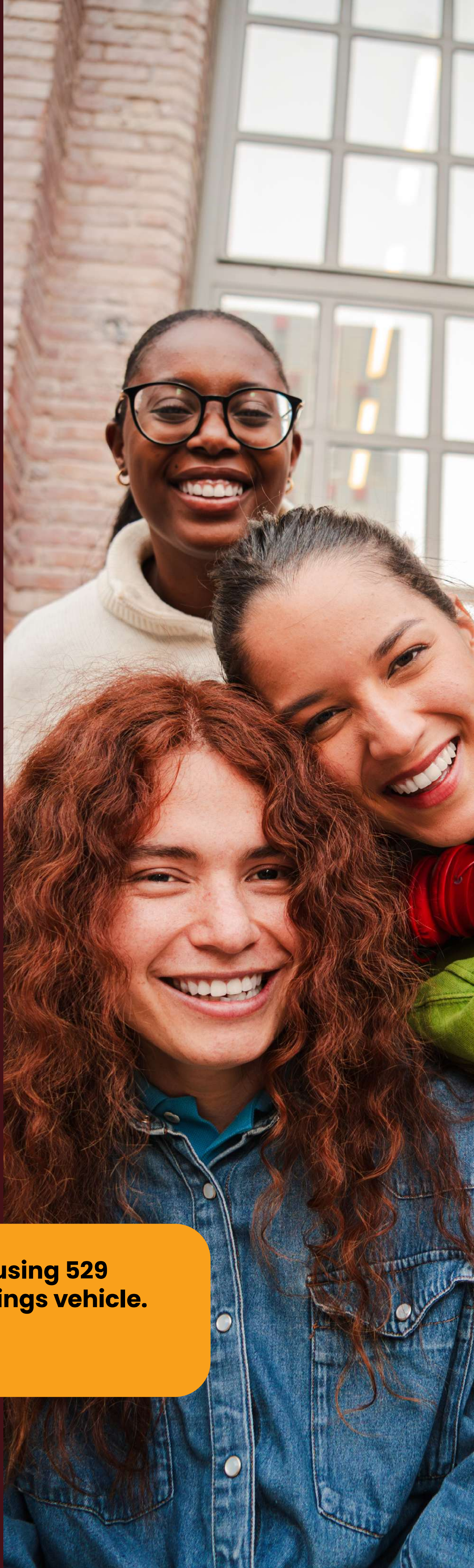
Limitations and specific investment requirements apply for each type of 529 plan and can vary by state. Be sure to talk with a financial advisor about which savings approach best fits your family's needs.

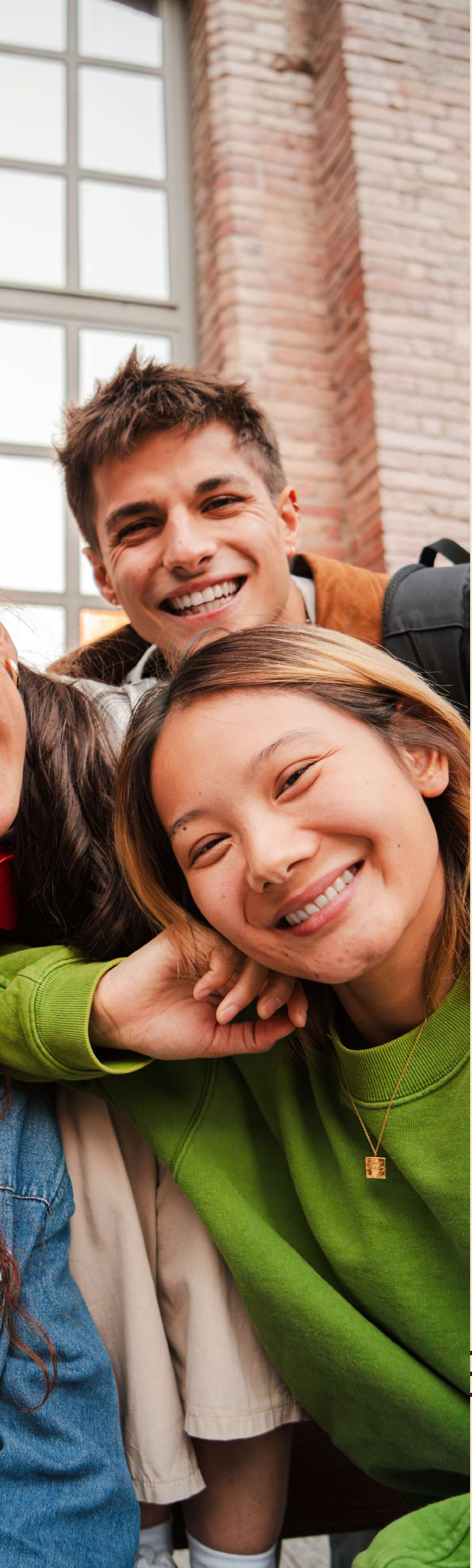
Financial Benefits[6]

- Tax-free growth and withdrawals for qualified expenses
- Potential state tax deductions or credits
- Favorable estate planning treatment, like gift tax exclusions

More than 16 million people save money for college using 529 Plans. Yet, 54% of parents don't know about this savings vehicle.

Source: https://educationdata.org/college-savings-statistics





ADVANCED 529 STRATEGIES

For families with higher investible assets who want to take advantage of 529 plans, additional planning strategies exist:

Superfunding

You can boost savings — and help with estate planning needs — by funding up to five years of annual gift tax exclusions into the plan with a lump-sum payment. This strategy allows for accelerated growth and helps families take advantage of tax savings. Individuals can fund up to $95,000 in one payment, and couples can fund up to $190,000 (that's $19,000 across five years within one payment)[7].

Grandparent-Owned 529s

Recent FAFSA rule changes now exclude grandparent-owned 529 distributions from aid calculations, which previously reduced how much funds students could receive. As a result, 529 plans can be a helpful planning tool for multigenerational strategies[8].

Multigenerational Planning

Should you invest more money than what a child uses for their education, you can transfer surplus 529 funds to other family members. You also may qualify to covert those funds into Roth IRAs for the beneficiary. Current rules allow you to convert $7,000 each year — or up to $35,000 in total[9]. Limitations apply, so be sure to consult your financial advisor. You can make these changes with no tax consequences and support your long-term legacy strategies[10].

BEYOND THE 529 – ALTERNATIVE AND SUPPLEMENTARY STRATEGIES

For families seeking additional funding strategies, other sources are available. They key is to work with a financial advisor to identify which additional savings options fit your unique needs.

Custodial Accounts (UGMA/UTMA)[11]

UGMA and UTMA investments stand for the Uniform Gifts to Minors Act (UGMA) and the Uniform Transfer to Minors Act (UTMA). These investment tools allow you to gift money to minors without impact from taxes. The custodial accounts are taxable and ownership transfers to the minor once they reach adult age (which varies by state).

- Allow broader investment choices
- Can use money for expenses beyond college
- Less favorable for financial aid (funds reported as income)

Taxable Brokerage Accounts[12]

Another savings option is to invest into a brokerage account for growing and saving money for college. These investments include assets like stocks, bonds, and mutual funds. Investing for the long-term has the potential to grow your money, but returns are not guaranteed. No contribution limits exist for investing into brokerage accounts.

- High flexibility, no restrictions on use
- Capital gains tax applies but may offer tax-loss harvesting opportunities[13]
- Useful for balancing liquidity and control

Roth IRAs for Minors[13]

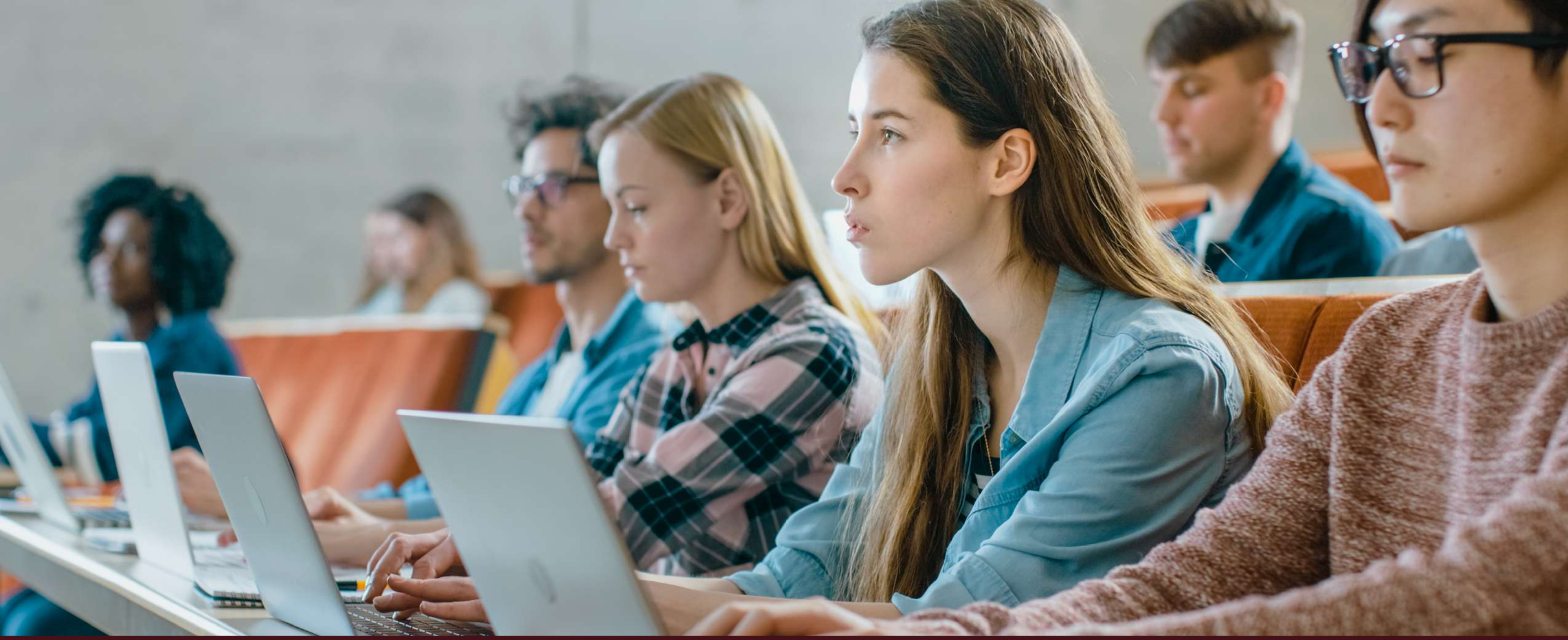
Another optional savings strategy is to invest into a Roth IRA for your child. These investments offer growth opportunities and have no age limitations for when a child can start investing into them. Once your child reaches adult age, the Roth IRA transfers ownership to them.

- Child must have earned income
- Contributions can be withdrawn without tax penalties for education expenses
- Long-term tax advantages

Life Insurance[15]

Investing into permanent life insurance may potentially provide a source of funds for college expenses. Payments you make into them create a cash-value that you can draw a loan against for supporting your financial goals. You can also take out this money for flexible spending options and the amount isn't taxable (however, your loan can't exceed how much you've paid into it).

- Cash value policies can provide tax-deferred growth
- May be used strategically for both education and estate planning
- Typically more suitable as a supplemental, not primary, savings vehicle



INVESTMENT CONSIDERATIONS AND ASSET ALLOCATION

Time Horizon–Based Planning

- Investing early in a child's life can potentially allow for more time to implement and manage investment strategies.
- Shift portfolios toward conservative allocations to preserve capital as college approaches.

Diversification Across Accounts

- Combine 529s with taxable and custodial accounts to help provide flexibility.
- Avoid relying too much on one funding source so you spread risk across investments.
- Aims to support the growth of invested funds.

Tax-Efficient Withdrawals

- Coordinate timing of withdrawals to minimize tax exposure.
- Match withdrawals to qualified expenses to avoid penalties.
- Align your personal tax priorities with savings strategies.

Risk Management

- Rebalance regularly as your life, goals, and the markets shift.
- Monitor for changes in tuition inflation or tax laws.

PLANNING TIPS AND COMMON MISTAKES TO AVOID

- **Start early**
  The power of compounding is most effective with early contributions. You give your child a strategic way to grow their personal wealth while they're young.

- **Don't overfund**
  Remember — saving for college is just one factor of a financial life. When selecting how much to save, consider other financial goals, such as your own retirement priorities. Aligning your needs with your child's future education objectives will help to ensure your protect your financial standing while supporting them.

- **Avoid using retirement accounts**
  Whenever possible, avoid relying on your saved retirement accounts to fund your children's education. Early withdrawals can incur penalties and derail your long-term financial plans. Setting up separate accounts specifically for your child's education goals can help isolate how you allocate funds for the future.

- **Review annually**
  Your life and the economic landscape is always changing. Details like your child's education goals, your income levels, and more can affect the amount you save each year and which strategies you take. As needed, update your contributions and investment choices to reflect your current financial capabilities. And make you keep your beneficiary details up to date. Tax laws, FAFSA rules, and 529 benefits evolve. Reviewing for these changes annually can help you remain strategic in your savings.

ACTION STEPS AND DISCUSSION GUIDE

Checklist of Questions

- How do college savings fit within my broader financial plan?
- What is the best mix of savings vehicles for my situation?
- Should I consider superfunding or grandparent strategies?
- How can I ensure flexibility if my child doesn't attend college?

Planning Milestones by Age

- Birth to Age 5: Begin contributions, consider superfunding
- Age 6–12: Reassess portfolio risk, increase contributions if needed
- Age 13–17: Shift investments to conservative assets
- Age 18+: Plan tax-efficient withdrawals

Tools and Resources

- 529 comparison tools
- FAFSA and EFC calculators
- IRS tax benefits planning guide

TAKEAWAY

Sound college planning is more than saving for tuition — it's about aligning education goals with your legacy, tax strategy, and broader wealth plans. A variety of planning strategies exist to help families afford college and their children fulfill their education goals. With the right tools and strategies, you can fund education while strengthening your and your children's financial futures.

To start the conversation around how your family can save for college, contact us today. We'll help you identify and prioritize your unique financial needs, and design a plan for meeting your family's education goals. Call us at (540) 720-5656 to get started. We're ready to help.

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[1] https://research.collegeboard.org/media/pdf/Trends-in-College-Pricing-and-Student-Aid-2024-ADA.pdf
[2] https://am.jpmorgan.com/us/en/asset-management/adv/investment-strategies/college-planning-essentials/viewer/college-costs/cpe-ccinflation/
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