



**Saving for College
Debunking the Myths and Sharing
Resources to Help Families Save**

Myth - Impact on Financial Aid

Myth: If we save for college, our children won't receive any financial aid. Saving negatively impacts financial aid eligibility.

Fact: It is income that has the most substantial impact on financial aid eligibility.

Myth - It's Too Late

*Myth: My student is already in high school.
It's too late to start saving for college now.*

Fact: It's never too late to start. Every little bits helps.

Myth - We Can't Save Enough

Myth: We can't possibly save enough! We don't have enough money to save what is needed to really make a difference.

Fact: Small amounts saved over time add up and could make a big difference.

The Facts - Impact on Financial Aid

- For families earning under \$50,000 per year, saving and assets typically have no impact on federal financial aid eligibility.
- Why? The FAFSA has a *Simplified Needs Test* (simplified formula to calculate the EFC).

The Facts - Impact on Financial Aid

- Simplified Formula – Who qualifies?
 - Parents combined AGI (or income earned from work for non-filers) less than \$50,000 AND:
 - Any household member received a federally means tested benefit during 2014 or 2015 (SSI, SNAP, Free or Reduced Lunch, TANF or WIC); OR
 - Parents are not required to complete IRS Form 1040; OR
 - Either parent is a Dislocated Worker.
- For those who qualify, parent and student assets are completely excluded.

The Facts - Impact on Financial Aid

- So what about those earning over \$50,000.....
- Do all assets count? NO!
- The following assets are excluded:
 - Possessions
 - Primary residence
 - Retirement plans
 - Family owned and controlled small business

The Facts - Impact on Financial Aid

- What if those parents have countable assets?
 - FAFSA has built in Education Savings and Asset Protection Allowance.
 - Example - Married parents and oldest age 46 – allowance is \$17,800.
 - Only “countable” assets that exceed the allowance have ANY impact – and never more than the current maximum rate of 5.64%.

“Expected” Contributions Income vs. Assets

	Family A	Family B	Family C	Family D
Income	\$65,000	\$65,000	\$65,000	\$65,000
“Countable” Assets (before Asset Protection Allowance)	\$0	\$25,000	\$50,000	\$100,000
Expected contribution from income	\$4,622	\$4,622	\$4,622	\$4,622
Expected contribution from assets	\$0	\$250	\$1,126	\$3,286
Total Expected Parent Contribution	\$4,622	\$4,872	\$5,748	\$7,908

The Facts - It's Too Late

- Every dollar available from saving is a dollar that doesn't have to be borrowed and repaid with interest.
- Saving versus borrowing:
 - **Save** \$100 per month for 4 years at 3% interest = **\$5,219.**
 - **Borrow** \$5,219 and repay at 6.5% -
 - Over 4 years - \$123.77 per month for total of **5,941**
 - Over 10 years - \$59.26 per month for total of **\$7,111**
- Every little bit will make life after graduation easier.

The Facts - We Can't Save Enough

- Small amounts saved consistently add up!
- Over time, people often stop noticing small amounts taken out of each paycheck.
- Example – save this amount per paycheck (assume paid every other week) at 3% for 10 years:
 - \$25 per paycheck = \$7,617
 - \$50 per paycheck = \$15,234
 - \$100 per paycheck = \$30,468

The Facts - We Can't Save Enough

- Paying for college is often a piecemeal approach.
- Example
 - Fall balance = \$8,500
 - Resources:
 - Grants and scholarships = \$3,000
 - Student loans = \$2,750
 - Student summer earnings = \$750
 - Tuition payment plan = \$500 (\$100 per month X 5 months)
 - Remaining balance = \$1,500 (saving can make all the difference in getting the bill paid!)



One Resource - NextGen®

- What is NextGen?
 - NextGen is Maine's Section 529 College Investing Plan.
- How does it work?
- Are there benefits for Maine Residents? Yes!

NextGen is a Section 529 plan administered by the Finance Authority of Maine (FAME). Before you invest in NextGen, request a NextGen Program Description from your Merrill Lynch Financial Advisor or Maine Distribution Agent or call Merrill Edge at 1-877-463-9843 and read it carefully. The Program Description contains more complete information, including investment objectives, charges, expenses and risks of investing in NextGen, which you should carefully consider before investing. You also should consider whether your or your designated beneficiary's home state offers any state tax or other benefits that are only available for investments in such state's Section 529 plan. Merrill Lynch, Pierce, Fenner & Smith Incorporated, a registered broker-dealer, member SIPC, is the program manager and underwriter.

Works for ME ✓

- Tax-advantaged vehicle to invest for college expenses
 - Contributions are made with after-tax dollars
 - Any earnings on investments have the potential to grow federal and Maine state tax-deferred and are tax-free when used for qualified higher education expenses*

* To be eligible for favorable tax treatment afforded to the earnings portion of withdrawals from 529 accounts, such withdrawals must be used for “qualified higher education expenses,” as defined in the Internal Revenue Code. Any earnings withdrawn that are not used for such expenses are subject to federal income tax and may be subject to a 10% additional federal tax as well as state and local taxes.

- Maine's Section 529 College Savings Plan
 - Client Direct Series - for investors who want to make their own investment choices
 - Client Select Series - for investors who would like to work with a financial advisor
 - Merrill Lynch - the Program Manager

Each series offers different investment options, each with its own sales charges, fees and expense structure. Some of the same investment options are available in each series.

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Flexibility In Use of Assets

- Assets can be used at eligible accredited post-secondary schools* including:
 - In-state or out-of-state schools
 - Public or private university
 - Two year, four year, and graduate schools

*Eligible higher education institutions include all accredited post-secondary institutions that are eligible to participate in Federal Student Assistance Programs. The broad list includes public universities, private colleges, graduate schools and some vocational schools.

Flexibility In Use of Assets

- Qualified Expenses:
 - Tuition and fees
 - Books and supplies
 - Computer equipment, software, and services
 - Required equipment
 - Room and board*

*Beneficiary must be attending an accredited institution at least on a half-time basis for room and board to be considered an eligible expense.

Opening an Account

■ Client Direct Series

- For investors who want to make their own investment choices
- Online application (paper option also available)
- Minimum initial contribution required: \$25*

■ Client Select Series

- For investors who want to work with a financial advisor
- Minimum initial contribution required: \$250* (or \$50 of eligible for a \$200 Initial Matching Grant)

*If the beneficiary is eligible for the \$500 Alford Grant, the initial contribution is waived.

See *Grant Terms and Conditions* at www.NextGenforME.com.

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Grants to Open an Account

- \$200 Initial Matching Grant
 - One-time grant for eligible Maine accounts
 - One grant per beneficiary
 - Grant automatically awarded after account is opened and required minimum initial contribution is received

OR

- \$500 Alford Grant
 - Maine resident babies who have been awarded the Alford Grant may use the grant to open a NextGen account without the required initial contribution

See *Grant Terms and Conditions* at www.NextGenforME.com.

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Grants for Additional Contributions

■ NextStep Matching Grant

- 50% match on contributions made in a calendar year
- Maximum award amount is \$300 per year
- One grant per beneficiary per year
- Grant generally awarded in the 1st quarter for the previous calendar year's contributions
- For example:
 - Contribute \$50 – get a \$25 matching grant
 - Contribute \$160 – get an \$80 matching grant
 - Contribute \$600 – get a \$300 matching grant

See Grant Terms and Conditions at www.NextGenforME.com.



Grants for Additional Contributions

- \$100 Automated Funding Grant
 - One-time grant for eligible Maine accounts
 - One grant per account
 - Grant automatically awarded after six consecutive automated contributions no less frequently than quarterly have been made
 - Contributions must be made from your savings or checking account or by payroll deduction

See Grant Terms and Conditions at www.NextGenforME.com.

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Grants for Maine Accounts

- Matching grant funds (and any earnings)
 - May only be used to pay for qualified higher education expenses
 - Will only be paid to an eligible college/university
 - Should be used before other assets in the account

See Grant Terms and Conditions at www.NextGenforME.com.

Saving Can Make a Difference

Example:

- Contribute \$50 per month = \$600 per year
- NextStep Matching Grant = \$300 per year
- Total one year = \$900
- \$900 per year for 18 years = \$16,200

Important: This example does not reflect market fluctuations, including loss of principal which may affect contributions and grants, and assumes the NextStep Matching Grant remains constant over time. See Grant Terms and Conditions at www.NextGenforME.com.

Debunking the Myths

- *Myth: If we save for college, our children won't receive any financial aid. Saving negatively impacts financial aid eligibility.*
 - FAFSA's Simplified Needs Formula
 - Excluded assets
 - Education and asset protection allowance
 - Added benefit – NextGen® assets may be considered a parent asset for dependent students

Debunking the Myths

- *Myth: My student is already in high school. It's too late to start saving for college now.*
 - Every dollar available from savings is a dollar that doesn't have to be borrowed and repaid with interest.
 - Even if college is only four years away, up to \$1,500 in matching grants may be available.
 - Contributions can continue when the student is in college – keep getting those matching grants!

Debunking the Myths

- *Myth: We can't possibly save enough! We don't have enough money to save what is needed to really make a difference.*
 - Over time, there are potentially thousands of dollars in grants available to eligible accounts.
 - Don't leave money on the table.
 - Family and friends can also contribute – great way to celebrate birthdays and holidays!

Information on federal financial aid is based on current interpretation of federal financial aid rules, which are subject to change. The rules in effect at a later date may be different. Distributions from section 529 accounts owned by a party other than the parents or student may be treated differently. For more complete information, please go to the U.S. Department of Education's website at www.ed.gov.

Questions?

- Questions?
- Please complete the survey – we appreciate your feedback and suggestions!



Thank You!

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