



Saving for Higher Education – It's a Good Thing!

- Saving for Higher Education is a Good Thing!
 - Benefits of Saving – Aspirational and Financial Impact
 - Debunking Myths and Sharing Facts Regarding the Impact on Financial Aid
- NextGen[®] Overview
 - What is NextGen?
 - Use of Assets
 - Opening and Contributing to Accounts
 - Grants for Maine Residents

Saving for higher education is a good thing!

■ Aspirational Impact

- Saving for college has a positive aspirational impact.
- According to research from the Center on Assets, Education & Inclusion*:

*Children with just \$500 or less saved for college are **3 times** more likely to go on to college and **4 times** more likely to graduate than those without saving.*

The focus of this research was on children from low- and moderate-income families.

*Assets and Education Initiative, *Building Expectations, Delivering Results: Asset-Based Financial Aid and the Future of Higher Education*, in William Elliott (Ed.), *Biannual report on the assets and education field*, (Lawrence, KS: Assets and Education Initiative, 2013).

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Saving for higher education is a good thing!

■ Financial Impact

- Saving can reduce student loans debt.
- Every dollar available from savings, is a dollar that doesn't need to be borrowed and repaid with interest.
- Even small reduction in student loan debt can make loan repayment after college more manageable.

Debunking the Myths- Impact of Saving on Financial Aid

Myth: If we save for higher education, 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.

The Facts – Often No 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* formula.

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. For more complete information, please go to the U.S. Department of Education's website at www.ed.gov.

The Facts – Often No 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 2016 or 2017; OR
 - Parents are not required to file an IRS Form 1040; OR
 - Either parent is a Dislocated Worker.
- For those who qualify, parent and student assets are **completely excluded.**

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The Facts – Often No 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

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The Facts – When Assets Do Count, the Impact is Minimal

- 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 \$20,300.
 - Only “countable” assets that exceed the allowance have ANY impact – and never more than the current maximum rate of 5.64%.

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“Expected” Contributions Income vs. Assets

	Family A	Family B	Family C	Family D
Income	\$67,000	\$67,000	\$67,000	\$67,000
“Countable” Assets (before Asset Protection Allowance)	\$0	\$25,000	\$50,000	\$100,000
Expected contribution from income	5,012	5,012	5,012	5,012
Expected contribution from assets	0	164	1,067	3,255
Total Expected Parent Contribution	5,012	5,176	6,079	8,267

“Expected” Contributions

The Impact of Income

	Family A	Family B	Family C	Family D
Income	\$65,000	\$85,000	\$105,000	\$125,000
“Countable” Assets* (before Asset Protection Allowance)	\$0	\$0	\$0	\$0
Expected Contribution from Income	4,717	10,350	17,339	24,422
Expected Contribution from Assets	0	0	0	0
Total Expected Parent Contribution	4,717	10,350	17,339	24,422
% of Additional \$20,000 “Expected” by Formula		28.2% EFC increases - 5,633	34.9% EFC increase - 6,989	35.4% EFC increase - 7,083

The Facts – Student vs. Parent Savings

- Student savings, if required (not required in the simplified formula), have more impact.
- No Education Savings and Asset Protection Allowance until age 26.
- Student assets are assessed at rate of 20%.
- 529s count as a parent asset for dependent students.

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The Facts – Saving Helps

- Paying for college is a piecemeal approach.
- Example
 - Fall balance = \$11,500
 - Resources:
 - Grants and scholarships = \$6,000
 - 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!)

- NextGen Overview
- Grants for Maine Accounts
 - Either the account owner or the account beneficiary must be a Maine resident.
- Contributions & Withdrawals

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 state benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in such state's 529 plan. Merrill Lynch, Pierce, Fenner & Smith Incorporated, a registered broker-dealer, member SIPC, is the program manager and underwriter.

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- 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**

* Beginning January 1, 2018, distributions for tuition in connection with enrollment or attendance at an elementary or secondary public, private, or religious school, up to \$10,000 per taxable year per beneficiary across all 529 accounts for such beneficiary, are also federal income tax free.

** To be eligible for favorable federal 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 state tax treatment with regard to the earnings portion of withdrawals for elementary and secondary school tuition and rollovers to Section 529a, “ABLE” plans is currently not income tax free.

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- Maine's Section 529 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

- Beginning in 2018, distributions for expenses for tuition in connection with enrollment or attendance at elementary or secondary public, private, or religious schools are federal income tax free**
 - Distributions used for this purpose are limited to an aggregate of \$10,000 per taxable year, per beneficiary, across all 529 plans for such beneficiary.

*Eligible higher education institutions include all accredited post-secondary institutions that are eligible to participate in Federal Student Assistance Programs. Post-secondary institutions could include public or private universities and colleges, graduate schools, proprietary institutions, foreign institutions, and vocational schools.

**The earning portion of such distribution is currently not Maine state income tax free.

Flexibility In Use of Assets

- Qualified expenses for post-secondary institution attendance:
 - 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: \$25*

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

The Alford Grant is linked to eligible Maine accounts. See Terms and Conditions of Maine Grant Programs for other conditions and restrictions that apply at 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 children who have been awarded the Alford Grant may use the grant to open a NextGen® account without the required initial contribution

Grants are linked to eligible Maine accounts. See Terms and Conditions of Maine Grant Programs for other conditions and restrictions that apply at NextGenforME.com.

- 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

Matching grants are linked to eligible Maine accounts. See Terms and Conditions of Maine Grant Programs for other conditions and restrictions that apply at 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

Matching grants are linked to eligible Maine accounts. See Terms and Conditions of Maine Grant Programs for other conditions and restrictions that apply at NextGenforME.com.

Grants for Maine Accounts

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

Matching grants are linked to eligible Maine accounts. See Terms and Conditions of Maine Grant Programs for other conditions and restrictions that apply at NextGenforME.com

Saving Can Make a Difference

Example:

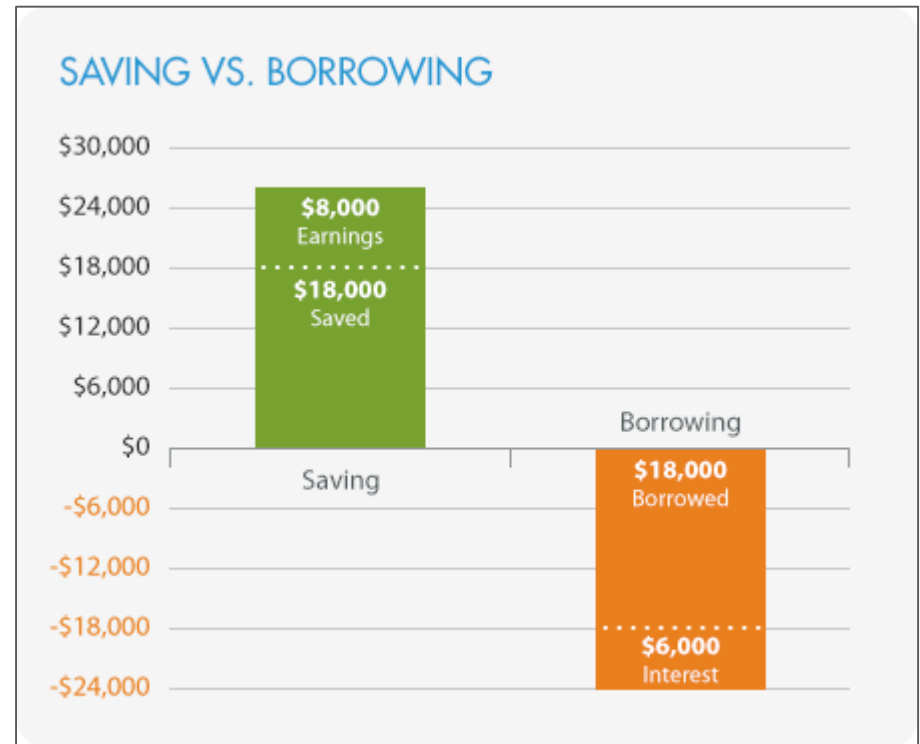
- Contribute \$50 per month = \$600 per year
- NextStep Matching Grant = \$300 per year
- Total one year = \$900
- \$900 per year for 18 years = \$16,200

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. Matching grants are linked to eligible Maine accounts. See Terms and Conditions of Maine Grant Programs for other conditions and restrictions that apply at NextGenforME.com.

Saving vs. Borrowing

- Every dollar in a NextGen® account, when used for qualified higher education expenses, is a dollar that doesn't need to be borrowed and repaid with interest.



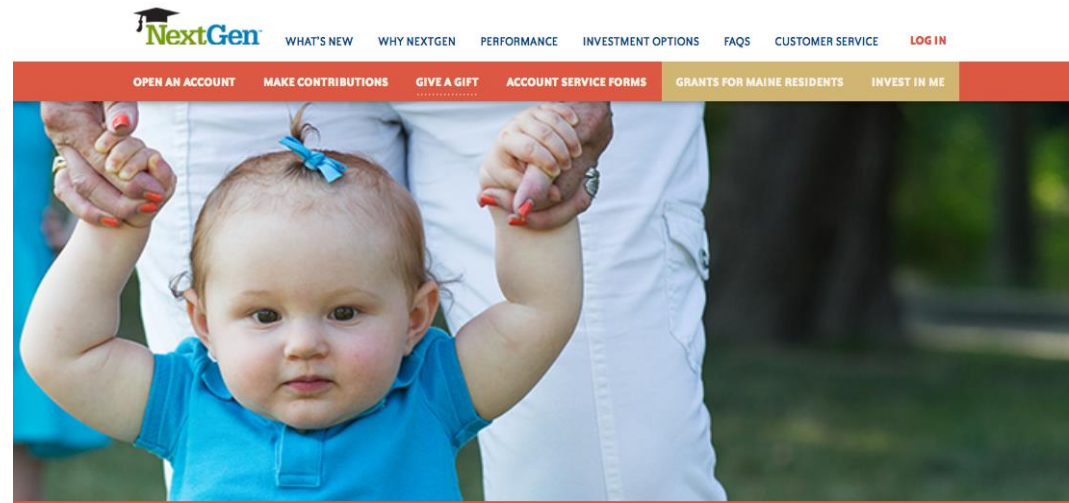
- This hypothetical savings example illustrates the potential value of regular \$100 monthly investments over 15 years and assumes a \$25 initial contribution and an average annual return of 5%. These examples do not reflect actual investments and do not reflect any fees or expenses. Investment performance is not guaranteed. Investments may lose value.
- This hypothetical borrowing example illustrates the potential cost of borrowing \$18,000, repaying over 15 years and assumes an interest rate of 4%.

Account Contributions

- Online to NextGen[®] account via Merrill Edge (merrilledge.com)
 - Make a one-time contribution
 - Schedule recurring contributions from an eligible checking or savings account
- Automatic Contributions - Make it Easy!
 - Set up automatic contributions from your payroll or bank account
- Contribution Coupon
 - Mail a check
- Transfer or Rollover from Another Account
 - NextGen accounts may also be funded through transfers from Custodial accounts, other Qualified Tuition Programs, Coverdell Education Savings accounts or U.S. Savings Bonds

Encourage Others to Give a Gift

- Family and friends can also contribute – great way to celebrate birthdays and holidays!
- Don't leave money on the table.



Give a Gift

The gift of education is always welcome whether for special occasions, holidays, or just to recognize the achievements of a special young person.

Making a Withdrawal

- Verbal
 - Call Merrill Lynch and request a withdrawal on the phone
- Online
 - Log into NextGen[®] account (Merrill Edge)
 - Choose “Transfer Money/Securities” and “Checks”
- Paper
 - Complete and mail a Withdrawal Request Form
 - The paper process may take up to two weeks

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It's About Your Child's Future Success.

LEARN MORE ABOUT
OPENING A NEXTGEN ACCOUNT »

The most important investment you'll ever hold.

Help your child succeed by opening and making contributions to a NextGen College Investing Plan[®] account!

1

Open a NextGen
account

ENROLL TODAY »

2

Learn about Grants for
Maine Residents

TELL ME MORE! »

3

Make a contribution

INVEST IN YOUR CHILD »



If you have questions, call us at 1-877-463-9843



Thank You!

Finance Authority of Maine

5 Community Drive

P.O. Box 949

Augusta, ME 04332

1-800-228-3734

TTY: 207-626-2717

education@FAMEmaine.com

FAMEmaine.com



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