Strategies for Successful College Planning

Five insights for achieving college funding goals
How will you pay for college?

College is one of life’s most important—and expensive—investment goals.

• How much will it cost?
• What can you expect from financial aid?
• How can you invest and earn more while borrowing less?

In this guide, we use select pages from College Planning Essentials to answer these questions and provide five time-tested strategies for successful investing. Together with guidance from your financial advisor, it can help you make more informed decisions and the most of your college funds.

STRATEGIES FOR SUCCESSFUL COLLEGE PLANNING

1. UNDERSTAND THE COSTS
2. KNOW WHAT TO EXPECT FROM FINANCIAL AID
3. DON’T JUST SAVE, INVEST
4. KEEP COLLEGE AND RETIREMENT ACCOUNTS SEPARATE
5. MAKE THE MOST OF TAX-ADVANTAGED 529 PLANS
UNDERSTAND THE COSTS

Start your plan with a college funding goal

The first step toward meeting college costs is knowing what they are. Costs are high today and will likely be even higher when your children attend college, thanks to annual tuition inflation that is outpacing the overall cost of living.¹

Use this chart to estimate future costs and begin creating your investment plan. Simply find a child’s current age to see projected four-year costs at both public and private universities.

Next, work with your financial advisor to determine how much you plan to pay and how much might come from financial aid, family gifts, student income and other funding sources.

EXAMPLE:
For a six-year-old, total costs are expected to be about $165,000 at a four-year public college and $375,000 for a private college.

KNOW WHAT TO EXPECT FROM FINANCIAL AID (PART 1)

Many families expect more free financial aid than they are likely to receive

Roughly half of all students actually get grants and scholarships, and only 0.3% receive enough for a free ride to college.

Even if your child qualifies, grants pay an average of only 11% of the costs at a four-year public university, while scholarships cover just 12%.

To make up the difference, families need an investment plan that can help them achieve their goals without taking out expensive loans or ruling out schools based solely on cost.

<table>
<thead>
<tr>
<th>Grant reality 2017-18 (need-based)</th>
<th>Scholarship reality 2017-18 (merit-based)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total costs covered by grants at:</td>
<td>Total costs covered by scholarships at:</td>
</tr>
<tr>
<td>27%</td>
<td>27%</td>
</tr>
</tbody>
</table>

56% of families received grants averaging $5,292
57% of families received scholarships averaging $7,760

0.3% of college students receive enough grants and scholarships to cover costs.

Many families expect more free money from grants and scholarships than they are likely to receive.

1. Table data, How America Pays for College, 2018.
2. Table data, How America Pays for College, 2018.
3. Roughly based on full-time families at four-year colleges.
2 KNOW WHAT TO EXPECT FROM FINANCIAL AID (PART 2)

Don’t let financial aid stop you from investing

It’s a common myth that investing for college will hurt your chances for federal aid. The fact is, family income counts much more than assets in the formula for awarding federal aid.

This chart can help you estimate your Expected Family Contribution (EFC) used to determine federal financial aid eligibility. In calculating EFC, the Department of Education considers up to 47% of parents’ income but only a maximum of 5.64% of their assets—even those in a 529 plan earmarked specifically for college.

HOW TO USE THIS CHART
Find the box where your combined income intersects with the value of all assets except your primary home and retirement accounts. The result is your estimated Expected Family Contribution.

Estimating Expected Family Contribution

Use this chart to estimate your Expected Family Contribution, the amount used to determine federal financial aid eligibility.

<table>
<thead>
<tr>
<th>ASSETS (EXCLUDING PRIMARY RESIDENCE AND RETIREMENT ACCOUNTS)</th>
<th>$0</th>
<th>$20,000</th>
<th>$40,000</th>
<th>$60,000</th>
<th>$80,000</th>
<th>$100,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>$0</td>
<td>$2,451</td>
<td>$4,431</td>
<td>$6,199</td>
<td>$7,750</td>
<td>$11,230</td>
</tr>
<tr>
<td>$10,000</td>
<td>$1,111</td>
<td>$3,272</td>
<td>$5,286</td>
<td>$7,078</td>
<td>$8,666</td>
<td>$11,230</td>
</tr>
<tr>
<td>$20,000</td>
<td>$4,033</td>
<td>$6,057</td>
<td>$7,941</td>
<td>$9,806</td>
<td>$11,230</td>
<td>$11,230</td>
</tr>
<tr>
<td>$30,000</td>
<td>$6,111</td>
<td>$7,999</td>
<td>$9,841</td>
<td>$11,551</td>
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<td>$11,230</td>
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<tr>
<td>$40,000</td>
<td>$8,388</td>
<td>$10,175</td>
<td>$11,959</td>
<td>$13,559</td>
<td>$11,230</td>
<td>$11,230</td>
</tr>
<tr>
<td>$50,000</td>
<td>$10,694</td>
<td>$11,967</td>
<td>$13,759</td>
<td>$15,269</td>
<td>$11,230</td>
<td>$11,230</td>
</tr>
<tr>
<td>$60,000</td>
<td>$13,013</td>
<td>$13,775</td>
<td>$15,569</td>
<td>$16,979</td>
<td>$11,230</td>
<td>$11,230</td>
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<td>$70,000</td>
<td>$15,342</td>
<td>$15,569</td>
<td>$17,379</td>
<td>$18,989</td>
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<td>$11,230</td>
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<td>$80,000</td>
<td>$17,671</td>
<td>$17,379</td>
<td>$19,189</td>
<td>$20,999</td>
<td>$11,230</td>
<td>$11,230</td>
</tr>
<tr>
<td>$90,000</td>
<td>$20,000</td>
<td>$19,189</td>
<td>$20,999</td>
<td>$22,809</td>
<td>$11,230</td>
<td>$11,230</td>
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<tr>
<td>$100,000</td>
<td>$22,364</td>
<td>$20,999</td>
<td>$22,809</td>
<td>$24,619</td>
<td>$11,230</td>
<td>$11,230</td>
</tr>
</tbody>
</table>

Income has a much bigger impact than assets.

Use this chart to estimate your Expected Family Contribution, the amount used to determine federal financial aid eligibility.

Annual Expected Family Contribution (EFC) Examples based on income and assets

Example: if you earn $150,000 in income and have $200,000 of savings, your estimated EFC is $40,052.
SAVING & INVESTING

The sooner you start saving, the more time you have to grow your college fund through the power of long-term compounding.

If you start saving $500 per month when a child is born, you’ll earn $86,927 more than if you start at age 6.

Source: J.P. Morgan Asset Management. This hypothetical example illustrates the future values of different regular monthly investments for different time periods. Chart also assumes an annual investment return of 6%, compounded monthly; investment losses could affect the value of an inherited college account. The hypothetical example is designed to illustrate the power of compounding to a current investor or prospective investor, but is not specific to a current or anticipated investment account or to an investor who makes an investment decision in the hypothetical example. Source data is hypothetical and assumes that investment gains are reinvested at hypothetical values. The hypothetical example is not intended to represent any actual or future investment performance. The hypothetical example is not indicative of any specific investment and does not reflect the impact of fees or expenses. Such costs would lower performance. Each investor should consider his or her current and anticipated investment horizon and income tax bracket when making an investment decision, as the hypothetical example may not reflect these factors. A plan of regular investment cannot assure a profit or protect against a loss in a declining market. This chart is shown for illustrative purposes only. Past performance is no guarantee of future results.

Start early, accumulate more

If you start saving $500 per month when a child is born, you’ll earn $86,927 more than if you start at age 6.

DON’T JUST SAVE, INVEST (PART 1)

Put the power of compounding to work for you

The sooner you start and the longer you invest, the more time your college fund has to compound and grow in value.

For example, if you start contributing $500 a month when your child is born instead of waiting until age 6, you would accumulate nearly $87,000 more. That’s the power of compounding.

Make college investing part of your monthly budget

Think of your college fund as another monthly bill. You can supplement those monthly investments by also contributing part of pay raises, bonuses, tax refunds and other extra money. Every small addition could make a big difference over time.
Don’t count on cash

The most commonly used college funding vehicles are savings accounts, checking accounts and CDs that have normally underperformed tuition inflation. Instead of just saving, investing that cash gives families the higher return potential needed to grow college funds and keep pace with rising costs.

Invest in a diversified portfolio

The key to staying invested for the long term is avoiding large portfolio fluctuations over the short term. Because stocks and bonds tend to rise and fall at different times, owning both may help you smooth out investment returns and stay on course toward college funding goals.

This chart shows that a diversified portfolio has historically outpaced bond returns and tuition inflation, with lower volatility than stocks.

1 Strategic Insight, S&P Industry Analysis, 2018.
**KEEP COLLEGE AND RETIREMENT ACCOUNTS SEPARATE**

Avoid using retirement funds for college

Withdrawing money for college can jeopardize your retirement security. For example, this chart shows that taking out $25,000 to fund college now could mean $80,000 less for retirement in 20 years, due to lost investment earnings and compounding.

Spending retirement money on college may also result in taxes, penalties and reduced financial aid. Because withdrawals are considered student income, half of the amount you take out may count against your federal aid package.

Consider opening dedicated accounts just for college, such as 529 plans, which offer special tax benefits not available in retirement accounts.

<table>
<thead>
<tr>
<th>Amount withdrawn for college</th>
<th>Retirement account reduced by:</th>
</tr>
</thead>
<tbody>
<tr>
<td>$000</td>
<td>$000</td>
</tr>
<tr>
<td>$25,000</td>
<td>$62,575</td>
</tr>
<tr>
<td>$50,000</td>
<td>$125,146</td>
</tr>
<tr>
<td>$75,000</td>
<td>$187,710</td>
</tr>
</tbody>
</table>

* Don’t pay for college with retirement funds

Every dollar used for college can mean several less for retirement, due to years of lost investment earnings and compounding.

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**THE RELATIONSHIP BETWEEN RETIREMENT SAVINGS AND COLLEGE FINANCIAL AID**

*0%* of retirement assets are considered in federal financial aid formulas while in the account.

*50%* of withdrawals for college may count against federal aid as student income.

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2. J.P. Morgan Asset Management. This illustration assumes that assets would have remained in a tax-advantaged retirement account instead of being withdrawn for college, earning 6% annual investment returns for 20 years, compounded monthly. This example does not represent the performance of any particular investment or portfolio of investments, is hypothetical and includes assumptions. Before investing in a 529 plan, investors should consider whether the objectives, costs, and risks associated with the plan make it an appropriate vehicle for achieving their goals. When used for qualified higher education expenses, distributions from a 529 plan are tax deferred and, if economically advantageous, may be subject to federal income tax and state income tax credits or deductions. Non-qualified withdrawals are subject to federal income tax and 10% federal penalty tax. State-level tax treatment and potential state tax credits or deductions may differ. Investors should consult their tax advisors prior to making any investment decision. Distributions from 529 plans may also be subject to state or local income tax. Investors should refer to IRS Publication 970 or consult their tax advisor regarding their personal circumstances.

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**A DANGEROUS DECISION**

Nearly one in three parents either plan to or would consider using retirement funds for college.

<table>
<thead>
<tr>
<th>Amount withdrawn for college</th>
<th>Retirement account reduced by:</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10,000</td>
<td>$5,000</td>
</tr>
<tr>
<td>$25,000</td>
<td>$12,500</td>
</tr>
<tr>
<td>$50,000</td>
<td>$25,000</td>
</tr>
</tbody>
</table>

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**How college withdrawals can jeopardize retirement security**

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**THE RELATIONSHIP BETWEEN RETIREMENT SAVINGS AND COLLEGE FINANCIAL AID**

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**Strategies for Successful College Planning**

**2013 FIVE INSIGHTS FOR ACHIEVING COLLEGE FUNDING GOALS**

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**J.P. MORGAN ASSET MANAGEMENT**

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MAKE THE MOST OF TAX-ADVANTAGED 529 PLANS (PART 1)

Keep more of what your investments earn

Taxes can erode investment returns and leave families with less for college. With a 529 plan, investment earnings and withdrawals are completely tax free when used to pay qualified education expenses.¹

The result: In this example, the 529 plan is worth nearly $48,000 more than a taxable investment receiving the same contributions and earning the same returns.

In addition, many states allow investors to deduct 529 plan contributions from state income, enabling them to save even more on taxes.

¹ Earnings on non-qualified withdrawals may be subject to federal income tax and a 20% federal penalty tax, as well as state and local income taxes. Federal law allows distributions for tuition expenses in connection with enrollment or attendance at an elementary or secondary public, private or religious school (“K-12 Tuition Expenses”) of up to $10,000 per beneficiary per year. Under New York State law, distributions for K-12 Tuition Expenses will be considered non-qualified withdrawals and will require the recapture of any New York State tax benefits that have accrued on contributions.
**MAKE THE MOST OF TAX-ADVANTAGED 529 PLANS (PART 2)**

Maximize special gift and estate tax benefits

529 plans allow five years of tax-free gifts in a single year—up to $75,000 per child from individuals and $150,000 from married couples. A lump-sum gift at birth may be enough to pay nearly all projected four-year public and private college costs, as shown in the chart. All 529 plan gifts and investment earnings are removed from the contributor’s estate without losing control over the assets. This can help grandparents, aunts, uncles and others invest for college while also reducing estate taxes, increasing inheritances and creating family legacies.

1. No additional gifts can be made to the same beneficiary over a five-year period. If the donor does not survive the five years, a portion of the gift is returned to the taxable estate.

2. J.P. Morgan Asset Management. Illustration assumes an annual investment return of 6%, compounded monthly. This example does not represent the performance of any particular investment. Different assumptions will result in outcomes different from this example. Your results may be more or less than these figures. Investment losses could affect the relative tax-deferred investing advantage. Each investor should consider his or her current and anticipated investment horizon and income tax bracket when making an investment decision, as the chart does not reflect these factors. These figures do not reflect any management fees or expenses that would be paid to a 529 plan participant. Such costs would lower performance. Projected four-year college costs are based on the College Board’s College Cost Calculator. Investments involve risk, including possible loss of principal. The chart is shown for illustrative purposes only. Performance is no guarantee of future results.

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**Making the most of college gifts**

Only 529 plans allow five years of tax-free gifts in one year to help families meet college costs and manage estate taxes.

<table>
<thead>
<tr>
<th>Contributor</th>
<th>2019 annual gift limit</th>
<th>Maximum tax-free 529 gift*</th>
<th>Investment growth over 18 years²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual</td>
<td>$150,000</td>
<td>$75,000 per child</td>
<td>$246,160</td>
</tr>
<tr>
<td>Couple</td>
<td>$300,000</td>
<td>$150,000 per child</td>
<td>$492,320</td>
</tr>
</tbody>
</table>

Pays 97% of projected four-year public college costs

Pays 95% of projected four-year private college costs

*No additional gifts can be made to the same beneficiary over a five-year period. If the donor does not survive the five years, a portion of the gift is returned to the taxable estate.

²J.P. Morgan Asset Management. Illustration assumes an annual investment return of 6%, compounded monthly. This example does not represent the performance of any particular investment. Different assumptions will result in outcomes different from this example. Your results may be more or less than these figures. Investment losses could affect the relative tax-deferred investing advantage. Each investor should consider his or her current and anticipated investment horizon and income tax bracket when making an investment decision, as the chart does not reflect these factors. These figures do not reflect any management fees or expenses that would be paid to a 529 plan participant. Such costs would lower performance. Projected four-year college costs are based on the College Board’s College Cost Calculator. Investments involve risk, including possible loss of principal. The chart is shown for illustrative purposes only. Performance is no guarantee of future results.
For more information about College Planning Essentials or the 529 Advisor-Guided Plan, please contact your financial advisor, visit ny529advisor.com or call 1-800-774-2108.

Higher education pays
A college diploma opens the door to a lifetime of higher earnings.

Average annual earnings by highest educational degree

<table>
<thead>
<tr>
<th>Degree</th>
<th>Average Annual Earnings</th>
<th>Pay Higher</th>
</tr>
</thead>
<tbody>
<tr>
<td>High School Graduate</td>
<td>$38,145</td>
<td>78%</td>
</tr>
<tr>
<td>Bachelor's Degree</td>
<td>$67,763</td>
<td>158%</td>
</tr>
<tr>
<td>Professional Degree</td>
<td>$98,368</td>
<td>207%</td>
</tr>
</tbody>
</table>

1. U.S. Census Bureau, J.P. Morgan Asset Management. For workers aged 18 and older, 2017. Data come from the Current Population Survey and are published under historical income tables by person by the U.S. Census Bureau. College costs are based on The College Board’s 2018 Trends in College Pricing for average tuition, fees and room and board at an in-state four-year university.

Before you invest, consider whether your or the 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 that state’s qualified tuition program.

The Comptroller of the State of New York and the New York State Higher Education Services Corporation are the Program Administrators and are responsible for implementing and administering New York’s 529 Advisor-Guided College Savings Program (the “Advisor-Guided Plan”). Ascensus Broker Dealer Services, LLC serves as Program Manager for the Advisor-Guided Plan. Ascensus Broker Dealer Services, LLC and its affiliates have overall responsibility for the day-to-day operations of the Advisor-Guided Plan, including recordkeeping and administrative services. J.P. Morgan Investment Management Inc. serves as the Investment Manager. JPMorgan Distribution Services, Inc. markets and distributes the Advisor-Guided Plan. JPMorgan Distribution Services, Inc. is a member of FINRA.

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New York’s 529 College Savings Program currently includes two separate 529 plans. The Advisor-Guided Plan is sold exclusively through financial advisory firms who have entered into Advisor-Guided Plan selling agreements with JPMorgan Distribution Services, Inc. You may also participate in the Direct Plan, which is sold directly by the Program and offers lower fees. However, the investment options available under the Advisor-Guided Plan are not available under the Direct Plan. The fees and expenses of the Advisor-Guided Plan include compensation to the financial advisory firm. Be sure to understand the options available before making an investment decision.

For more information about New York’s 529 Advisor-Guided College Savings Program, you may contact your financial advisor or obtain an Advisor-Guided Plan Disclosure Booklet and Tuition Savings Agreement at www.ny529advisor.com or by calling 1-800-774-2108. This document includes investment objectives, risks, charges, expenses, and other information. You should read and consider it carefully before investing.

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