

**Put money aside,  
not college.**



# It's never too late. It's never too early.

There's never a bad time to start a college savings program. Never. That's why we encourage you to use this college savings planner to come up with a plan that works best for you and those you want to help secure a promising future. You can get started for as little as \$15 a month. And there are investment options that will help you prepare for college whether it's a few years away or a generation away. So, take your time, do the planning calculations, and talk to our plan providers to ensure you make the decision that is best for you.

Going to college and obtaining a degree is a big part of the American dream.

*In 2016, 46% of 25–29 year olds had completed an associates' degree or higher.\**

This statistic would undoubtedly be higher if more potential college students had access to funds needed to cover college expenses.

Lack of funds, steadily rising college costs, and the increased burden of student loan debt, are primary reasons why most would-be college students do not complete their college dreams. This College Savings Planner has been developed by the Arizona Commission for Postsecondary Education in order to help parents, grandparents, caregivers, and students themselves begin the college preparation process. By providing the opportunity to save, children and adults have an increased likelihood to attend college and make their college goal a reality.

\* Source: The Condition of Education, 2017

While most families expect their child to go to college, only 39% of families have a plan to pay for college.

Source: How America Pays for College, 2017



# College. Save for it. Or you'll pay for it.

## PARENTS

Whether your child aspires to be a scientist, lawyer, chef or politician, the Arizona Commission for Postsecondary Education wants to find a way to help make their dreams come true and provide an opportunity to lighten the financial burden of higher education. As parents, preparing early for college and familiarizing yourselves with the options of financial aid and college savings will position you to make college a reality for your child.

## GRANDPARENTS

Grandparents want to share their valuable experience with their grandchildren by presenting them with the precious gift of knowledge and learning. Often, grandparents are in a place in life to plan for their grandchild's education. Gift tax benefits and annual tax deductions make the Arizona Family College Savings Plan a good choice.

## ADULTS

For working adults going back to college, an AZ 529 account can be opened in your name to help you prepare financially.

**In 2016, the median family income for families headed by a four-year college graduate was more than 2x that for families headed by a high school graduate. \$114,640 vs. \$54,600**

Source: Trends in College Pricing 2017

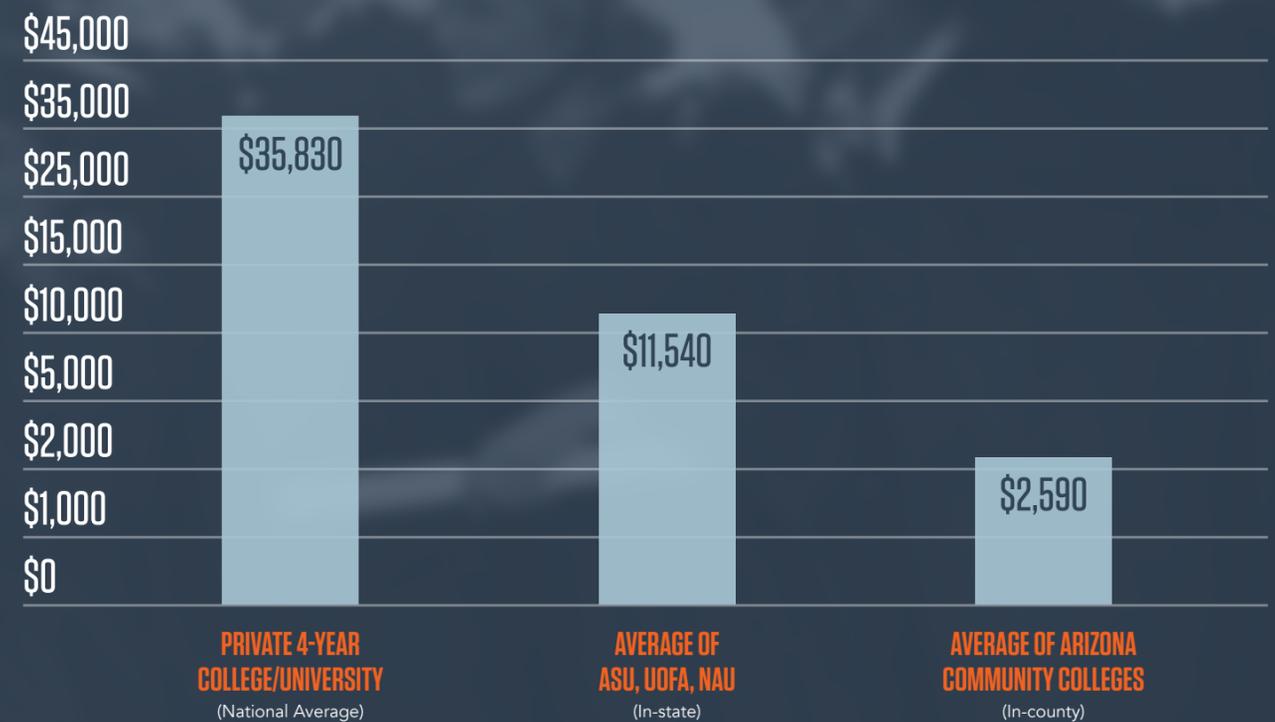
## THE COSTS

Over the past 20 years, college costs have risen more than twice the rate of inflation. For many parents, funding their child's college education will be one of their largest and most significant expenses.

Therefore, saving money for your child's college education requires foresight and planning. However, before any such planning can be started, a savings goal should be established.

Exactly how much will it cost to send your child to college? Through research, you will be able to estimate the amount of money needed to send your child to a private university, a public institution, a community college or trade school. You may choose to set aside a fixed amount of your income and select an investment plan. Define what your goals are and determine the best path to reach them.

## ANNUAL TUITION FOR ARIZONA POSTSECONDARY INSTITUTIONS\*



\* Source: College Board, 2018



# Take a calculated approach.

After completing this worksheet, you will have an estimate of the amount of money needed to meet one child's college-going expenses. Be sure to save whatever you can afford and begin saving early.

## IDENTIFY COSTS

- Current annual college costs (from Table 1)  
Example assumes public in-state tuition
- Number of years until college
- Future annual college costs  
(multiply line 1 by factor in Table 2)  
Example assumes 8% annual inflation rate
- Number of years for college attendance
- Projected cost of college at year one  
(multiply line 3 by line 4)

EXAMPLE	YOUR ESTIMATE
\$22,610	_____
5	_____
\$33,236.70	_____
4	_____
\$132,946.80	_____

*Projection does not allow for inflation rate for subsequent years of college attendance*

## IDENTIFY SAVINGS NEEDS

- Total cost of college (from line 5)
- Current college savings (if any)
- Value of current investments when college starts  
(multiply line 7 by factor in Table 3)
- Shortfall (subtract line 8 from line 6)
- Estimated investment of a one time lump sum  
(multiply line 9 by factor in Table 4)
- Estimated investment needed on monthly basis  
(multiply line 9 by factor in Table 5)

\$132,946.80	_____
\$10,000	_____
\$14,000	_____
\$118,946.80	_____
\$84,452.23	_____
\$1,665.26	_____

TABLE 1: AVERAGE COLLEGE ATTENDANCE COSTS\*

	TUITION	ROOM AND BOARD	BOOKS AND SUPPLIES	ANNUAL TOTAL PROJECTION
PRIVATE COLLEGE/UNIVERSITY	\$35,830	\$12,680	\$1,240	\$49,750
PUBLIC UNIVERSITY <small>(In-State)</small>	\$10,230	\$11,140	\$1,240	\$22,610
COMMUNITY COLLEGE <small>(In-State)</small>	\$3,660	\$8,660	\$1,440	\$13,760

TABLE 2: RISING COST INDEX

YEARS UNTIL COLLEGE	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
8% INFLATION RATE MULTIPLY BY:	1.08	1.17	1.26	1.36	1.47	1.59	1.71	1.85	2.00	2.16	2.33	2.52	2.72	2.94	3.17	3.43	3.70	4.00

TABLE 3: GROWTH INDEX (ASSUMES 7% ANNUAL RATE OF RETURN)

YEARS INVESTING	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
MULTIPLY BY:	1.07	1.14	1.23	1.31	1.40	1.50	1.61	1.72	1.84	1.97	2.10	2.25	2.41	2.58	2.76	2.95	3.16	3.38

TABLE 4 & 5: NECESSARY INVESTMENT INDEX

YEARS UNTIL COLLEGE	TABLE 4		TABLE 5		
	Contribution - Lump Sum		Contribution - Monthly		
1	0.93	0.0803	10	0.51	0.0058
2	0.87	0.0388	11	0.48	0.0051
3	0.82	0.0250	12	0.44	0.0045
4	0.76	0.0181	13	0.41	0.0040
5	0.71	0.0140	14	0.39	0.0036
6	0.67	0.0112	15	0.36	0.0032
7	0.62	0.0093	16	0.34	0.0026
8	0.58	0.0078	17	0.32	0.0026
9	0.54	0.0067	18	0.30	0.0024

\* Source: College Board, 2018–2019

# A child's future. Is there a better investment?

A 529 Plan is similar to a 401(k) or an IRA. The plan is designed to provide a parent, grandparent or other caregiver an opportunity to save for a child's educational pursuits within a tax-deferred savings vehicle.

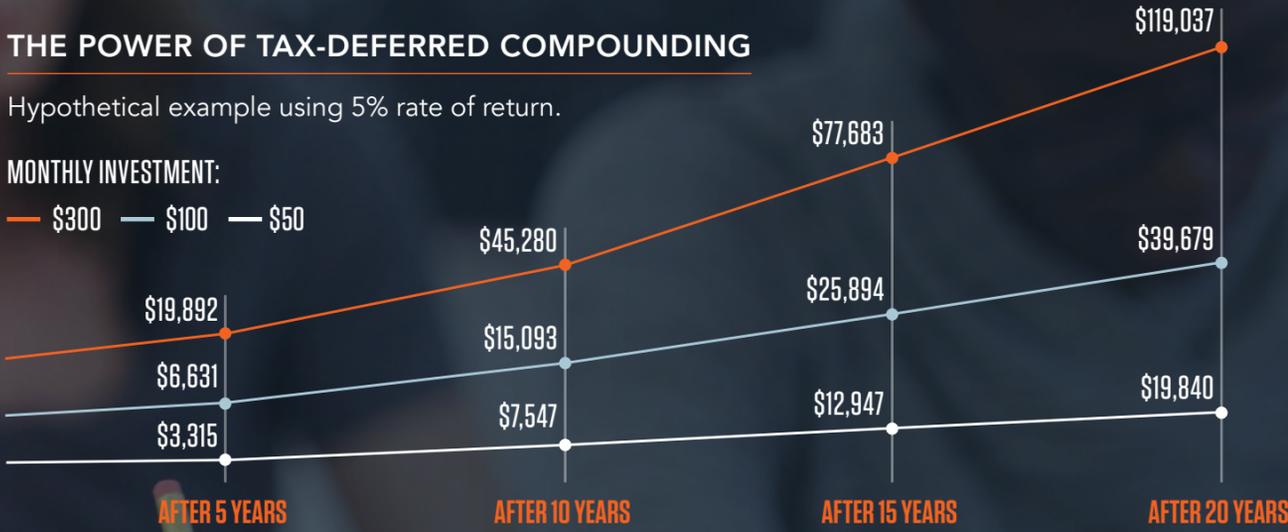
**Tax deduction for Arizona taxpayers contributing to a 529 plan is now up to \$4,000 for married tax filers and \$2,000 for single filers.**

### THE POWER OF TAX-DEFERRED COMPOUNDING

Hypothetical example using 5% rate of return.

MONTHLY INVESTMENT:

— \$300 — \$100 — \$50



The rate of return in graph is not guaranteed and is provided for illustrative purposes only.

**Children with any college savings are 6x times more likely to attend a four-year college than children with no dedicated college savings account.**

Source: CollegeSavings.org

The state of Arizona offers one of the most diversified 529 plans in the country. Benefits include:

- Qualified distributions are exempt from federal income tax
- Qualified distributions are exempt from Arizona income tax for Arizona taxpayers
- College savings plans are offered through multiple providers and include choices of CDs, mutual fund options, and age-based portfolios
- Contributions to accounts grow on a tax-deferred basis
- Assets are not considered when determining Arizona financial aid awards
- Savings can be used at most accredited universities, colleges, private colleges and training schools in the United States, as well as eligible foreign institutions
- Anyone can make contributions
- Ability to begin saving with as little as \$15 a month
- Can change account beneficiaries at any time

# Financial aid. Because money is the most important school supply of all.

## TYPES OF FINANCIAL AID

Four types of financial aid programs make up the majority of financial aid. These programs are made available and funded by the federal government, the State of Arizona, and various private organizations. These four groups include:

### GRANTS    LOANS    SCHOLARSHIPS    WORK STUDY

#### Need-Based vs. Merit-Based

Need-based is defined as financial aid programs that are awarded based on the financial situation of the student and/or their family. Merit-based is defined as financial aid awards that are given in response to met criteria. Academic scholarships and athletic scholarships are examples of merit awards.

TYPES OF FINANCIAL AID	NEED-BASED	MERIT-BASED
Grants	X	
Loans	X	
Scholarships	X	X
Work Study	X	

## Federal Grants

Grants are forms of financial aid that do not need to be repaid. Grants are typically provided to students from limited-income families and are need-based in nature. There are a variety of grants available to eligible students, the most common are:

### Pell Grant:

This federally funded program provides assistance for educational expenses based on financial need, academic load, length of enrollment and the costs of the education. Awards typically range from \$400–\$6,095 a year.

### Supplemental Educational Opportunity Grant (SEOG):

This federally funded program is granted to students who demonstrate exceptional need and are also eligible for Pell Grants.

## Loans

Loans are federally or privately funded sources of assistance that must be repaid with interest at the conclusion of a student's college attendance.

### Federal Direct Student Loan:

Students may qualify for a "subsidized" Federal Direct Loan based on their identified financial need or an "unsubsidized" Federal Direct Loan, which does not take into consideration their own or their family's household income levels.

### Federal Direct PLUS Loan:

These loans are available to parents who want to borrow monies to help pay for their child's education. These loans have variable interest rates.

## Scholarships

Scholarships are granted to students and are often based on performance in a particular area such as academics or sports. There are several websites which list the thousands of various types of scholarships available. Visit the Arizona Commission for Postsecondary Education website at [collegegoal.az.gov](http://collegegoal.az.gov).

## Work Study

### Federal Work Study (FWS):

This need-based program provides jobs for students who have applied for financial aid and are eligible to work as part of their financial aid award package. Students participating in this program may work on or off campus and the money earned is paid directly to the student to cover various types of expenses.

For more financial aid resource options visit:  
**[collegegoal.az.gov](http://collegegoal.az.gov)**  
 or  
**[studentaid.ed.gov](http://studentaid.ed.gov)**

## SAVINGS OPTIONS AVAILABLE\*

	AZ Family College Savings 529 plan	Coverdell Educational Savings Accounts	Qualifying U.S. Savings Bonds	UGMA/UTMA	Individual Mutual Funds/Stocks
Federal Income Tax	Non-deductible contributions: federal and Arizona income tax-free when used for qualified higher education expenses; Arizona income tax deduction up to \$2,000 (single) or \$4,000 (joint)	Non-deductible contributions; federal income tax-free when used for qualified higher education expenses, or qualified K–12 expenses	Tax-deferred for federal; tax-free for state; certain post-1989 EE and I bonds may be redeemed federal tax-free for qualified higher education expenses	Earnings and gains taxed to minor; parental tax rate applies to unearned income over \$2,200 for children through age 23	Earnings and gains taxed in year realized; special lower tax rates for certain dividends and capital gains
Federal Gift Tax Treatment	Contributions treated as completed gifts; use \$15,000 annual exclusion, or up to \$75,000 with 5-year election	Contributions treated as completed gifts; use \$15,000 annual exclusion. 5-year election only available under special circumstances	No gift involved; qualifying bonds must be owned by the parent	Transfers treated as completed gift; use \$15,000 annual gift exclusion	No gift involved; direct payments of tuition are not considered gifts
Federal Estate Tax Treatment	Value removed from donor's gross estate; partial inclusion for death during a 5-year election period	Value removed from donor's gross estate	Value included in bondholder's gross estate	Value removed from donor's gross estate unless donor remains as custodian	Value included in the owner's gross estate
Maximum Investment	\$476,000 per beneficiary (effective October 1, 2018)	\$2,000 per beneficiary per year combined from all sources	\$10,000 face value per year, per owner, per type of bond	No limit	No limit
Qualified Expenses	Higher ed tuition, fees, room and board, books, supplies, computers, equipment, and special needs; up to \$10,000 annually for K-12 tuition	Same Higher Education Expenses as 529 plan plus specific categories of K-12 expenses	Tuition and required course related fees, books and equipment.	No restrictions	No restrictions
Income Restrictions	None	Ability to contribute may be pro-rated or reduced to zero for Modified Adjusted Gross Incomes between \$95,000 and \$110,000 for single tax payers; or between \$190,000 and \$220,000 for married tax payers filing jointly.	Interest exclusion phases out for incomes between \$112,050 and \$142,000 (joint filers)	None	None
Federal Financial Aid	Counted as asset of parent or other account owner; not counted as a student asset unless student is both the account owner and beneficiary	Counted as asset of parent or other account owner; not counted as a student asset	Counted as asset of bondholder	Counted as student's asset	Counted as asset of the owner
Use for Non-Qualifying Expenses	Withdrawn earnings subject to 10% federal penalty, and both federal and state taxes	Withdrawn earnings subject to federal tax and 10% penalty	No penalty; interest on redeemed bonds included in federal income	Funds must be used for benefit of the minor	Money can be withdrawn at any time for any reason

\* Source: based upon information provided by [www.savingforcollege.com](http://www.savingforcollege.com). Revised for Arizona specifics. Please consult with a financial professional for more information before investing.

# One Great Plan. Three Great Choices.

The Arizona Family College Savings Plan offers a wide variety of choices through three financial institutions. Choices include CDs, advisor-sold mutual fund options, direct-sold mutual fund options, passively and actively managed accounts, indexed, age-based portfolios, and self-designed custom strategies. Choices are offered so that your investment goals can be targeted for the timeline that best fits your needs.



College Savings Bank, a Division of NexBank SSB, provides fixed rate CDs and a high-yield savings account. Each account holder's principal is insured by the FDIC.

[www.collegesavings.com/arizona](http://www.collegesavings.com/arizona)  
1.800.888.2723



Fidelity Investments Fidelity offers both actively managed and index portfolios. Within those portfolio categories you can choose from age-based allocation, static allocation and/or individual portfolios.

[www.fidelity.com/arizona](http://www.fidelity.com/arizona)  
1.800.544.1262



Ivy Funds InvestEd 529 Plan offers choices of investment products including age-based, static, and individual fund portfolios through financial advisors across the country.

[www.ivyfunds.com](http://www.ivyfunds.com)  
1.800.777.6472



**The Arizona Commission for Postsecondary Education (ACPE)** is a state agency that assists Arizona students and their families with the information needed for postsecondary education. In addition to the development of the College Savings Planner, the ACPE also:

- Administers Arizona student financial aid programs
- Hosts the College Goal FAFSA campaign which assists college-bound high school seniors and returning adult students in completing financial aid forms
- Administers the Arizona Family College Savings Plan (529 Plan)
- Publishes college preparation publications, including the Arizona College and Career Guide, and serves as a forum for private and public postsecondary education to dialogue and collaborate on solutions and opportunities to better assist students



**Arizona Commission for Postsecondary Education**  
2020 North Central Avenue, Suite 650, Phoenix, Arizona 85004  
Phone 602.258.2435 Fax 602.258.2483  
[www.az529.gov](http://www.az529.gov) • [Facebook.com/AZCollegeSavings](https://www.facebook.com/AZCollegeSavings)

