

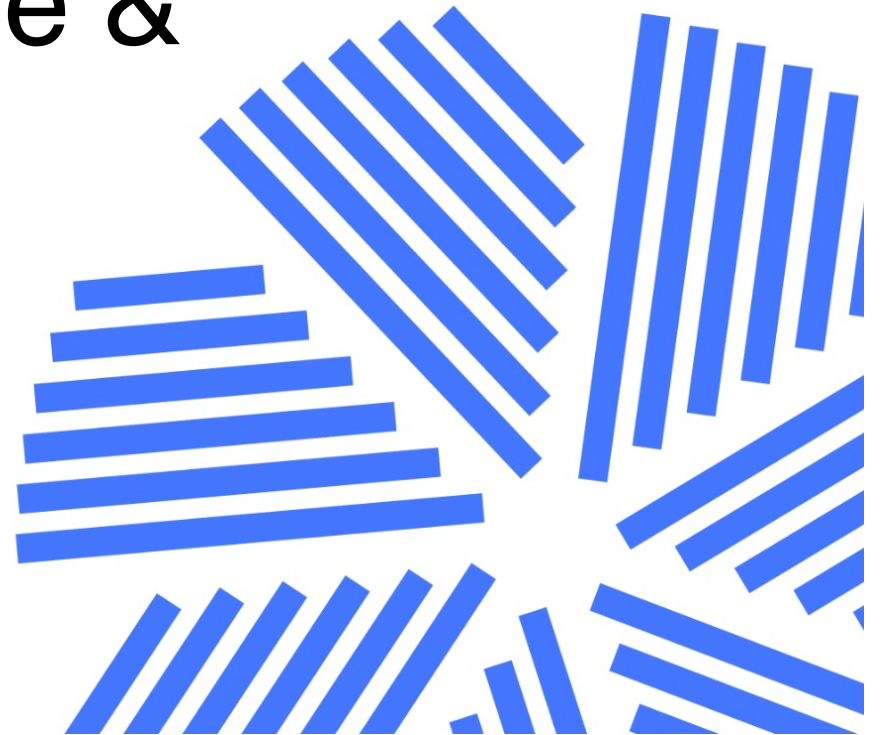


Planning for College & Student Loans

[Presenter name]

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CFA Society Boston

- Non-profit professional society of over 6,000 investment professionals
- New England's largest investment professional membership organization
- Founded in 1946, CFA Society Boston is a founding society of CFA Institute.



CFA Institute

- Global association of investment professionals
- Sets the standard for professional excellence and credentials
- Champions ethical behavior in investment markets
- Respected source of knowledge in the global financial community



Speaker Biographies

Speaker
Photo
(Optional) [First, Last], CFA ...

Speaker
Photo
(Optional) [First, Last], CFA ...

Speaker
Photo
(Optional) [First, Last], CFA ...



AGENDA



Discuss benefits of education (e.g., future income)



Review different ways to pay for education



Understand total cost of education



INVEST IN YOU

Investment in education has been shown to yield innumerable financial, professional and personal benefits



WHY GO TO COLLEGE

College graduates have greater:

- ✓ Career options
- ✓ Chance of landing a job
- ✓ Opportunity for progress in their career
- ✓ Yearly income and lifetime earnings
- ✓ Health and standard of living

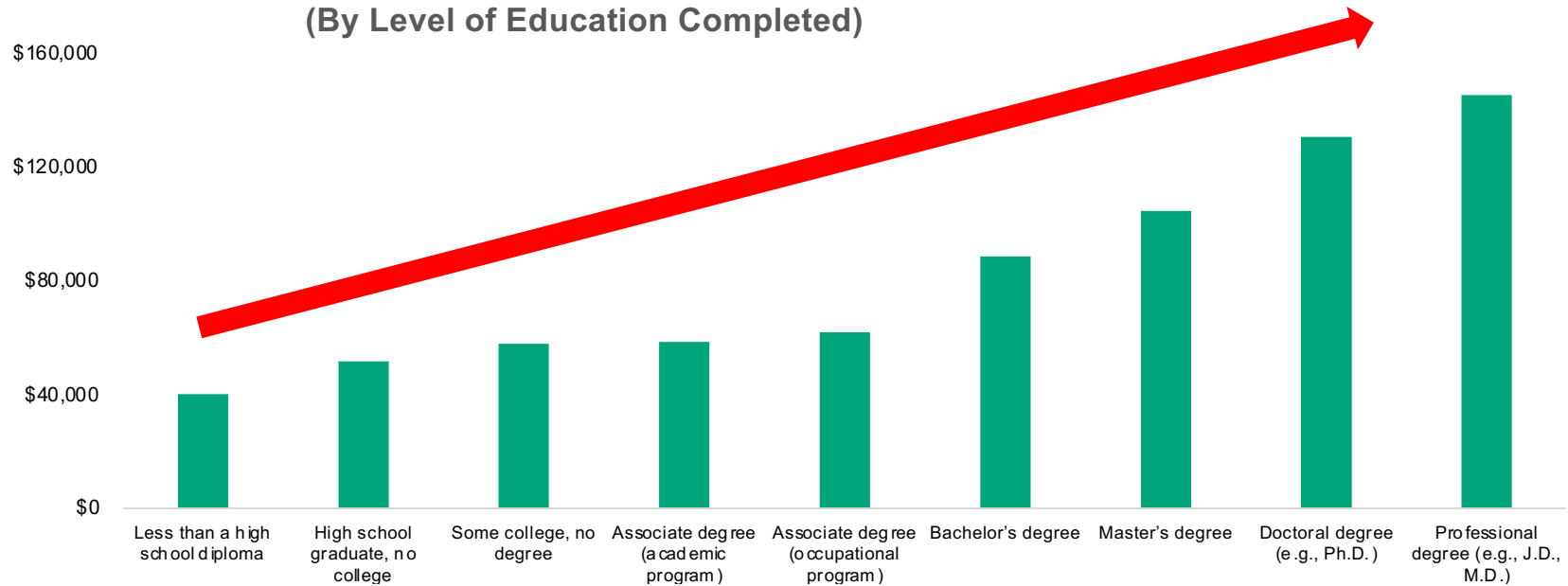


Source: <https://research.collegeboard.org/trends/education-pays>



WHY GO TO COLLEGE OR CAREER SCHOOL

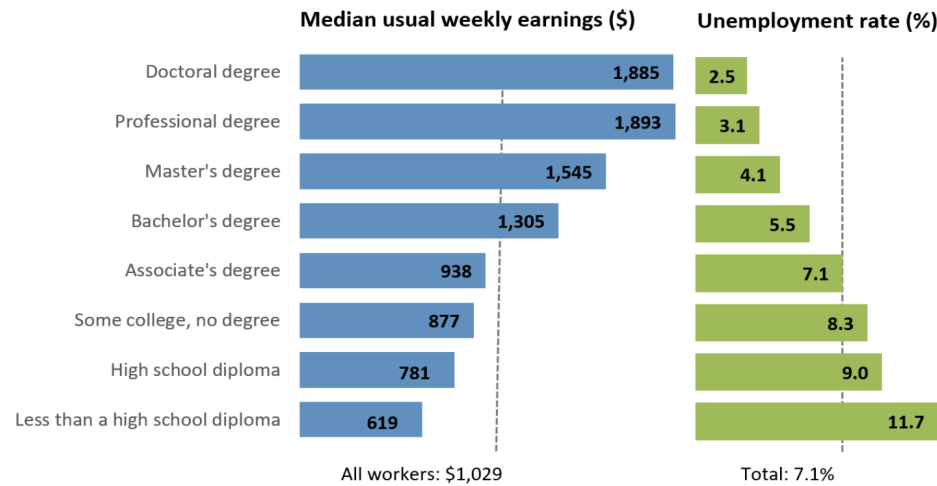
Average Earnings in 2020
(By Level of Education Completed)



Source: <https://studentaid.gov/resources/why-go-to-college-text-only>

COLLEGE GRADS EARN MORE AND HAVE LOWER UNEMPLOYMENT

Earnings and unemployment rates by educational attainment, 2020



Note: Data are for persons age 25 and over. Earnings are for full-time wage and salary workers.
Source: U.S. Bureau of Labor Statistics, Current Population Survey.



TYPES OF SCHOOLS

- Private 4-year colleges (e.g., Harvard, BU, BC, Suffolk)
- Public 4-year colleges (e.g., Umass, UVM, UNH)
- Public 2-year – Community colleges (e.g., Roxbury Community College, 15 in MA)
- Vocational colleges (e.g., Bunker Hill Community College)
- On-line colleges (e.g., Southern New Hampshire University)
- For-profit schools (e.g., University of Phoenix)



AUDIENCE POLL

What is the average yearly tuition/fees cost (housing and Food) for undergrad students at Umass Amherst

A. \$15,822

B. \$20,134

C. \$34,579

D. \$57,256 → OUT-OF-STATE



PAYING FOR EDUCATION

Beyond tuition - consider all expenses:



Housing

Dormitory, other housing, private housing, live at home



Boarding/Food

Meal plan, cook for yourself



Supplies

Books, supplies, computer



Other

Car/travel, health care, clothing, entertainment and social life

EXAMPLE OF COSTS (IN-STATE)

UMass/Amherst: Academic Year: 2024-25

Expense	Cost
Tuition/ Fees	\$17,772
+ Room/Board/Food	\$16,807
Total	\$34,579
+ Books and supplies	\$1,200
+ Personal and transportation expenses	\$1,440
Total Expenses	\$37,219

Source: <https://www.umass.edu/umfa/undergraduates/costs>



DON'T RULE OUT HARVARD!

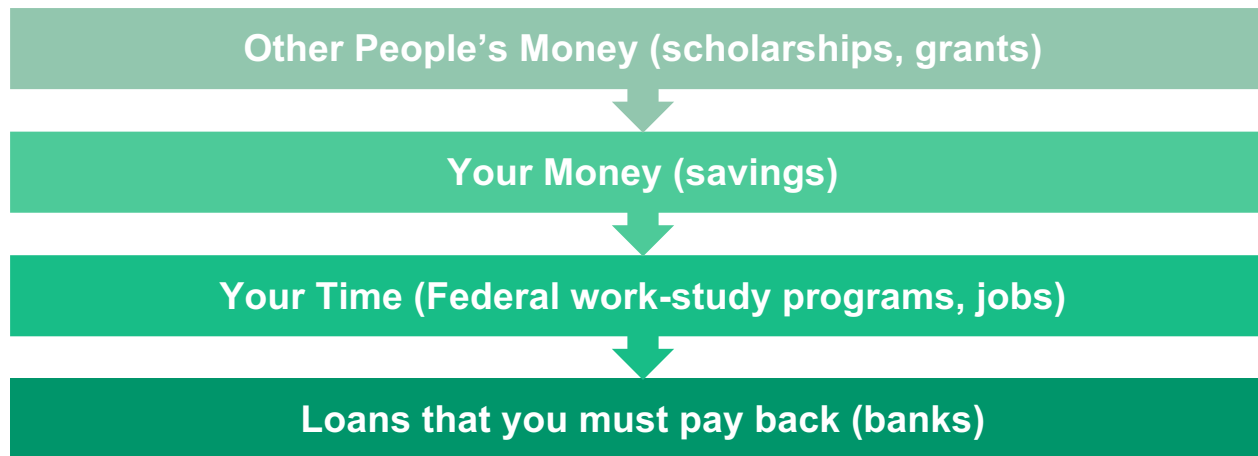
Net Price Estimate		
Estimated Financial Aid Package		
Estimated Scholarship	\$91,634	
Your Cost	\$3,500	x
Cost to Parents	\$0	
Student Asset Contribution	\$0	
Student Term-Time Work	\$3,500	
The following billed and unbilled costs were used in calculating your Net Price Estimate.		
Total Billed & Unbilled Costs	\$95,134	+

Source: <https://college.harvard.edu/financial-aid/net-price-calculator>



PAYING FOR EDUCATION

4 Ways to pay for college (in order of preference):



OTHER PEOPLE'S MONEY- SCHOLARSHIPS AND GRANTS

College – Discounted price off headline tuition

- Need based (Financial / Grants) or Merit based (scholarship)
- 'Need' and 'Merit' are in the eye of the beholder

National – Thousands of applicants, larger sums

Regional – Fewer applicants, smaller sums

Local – Small sums, but not widely known

<https://www.scholarships.com/>



SCHOLARSHIPS

Besides the college, where else should you look?



MASSACHUSETTS GRANTS

Mass Department of Higher Educations: Office of Student Affairs



Grants, Scholarships and Loans

Source: Mass Dept. of Education Office of Student Affairs; <http://www.mass.edu/osfa>



AUDIENCE POLL

What percentage of high school athletes are awarded some form of athletic scholarship to compete in college?

A. 10%

B. 25%

C. 12%

D. 2%

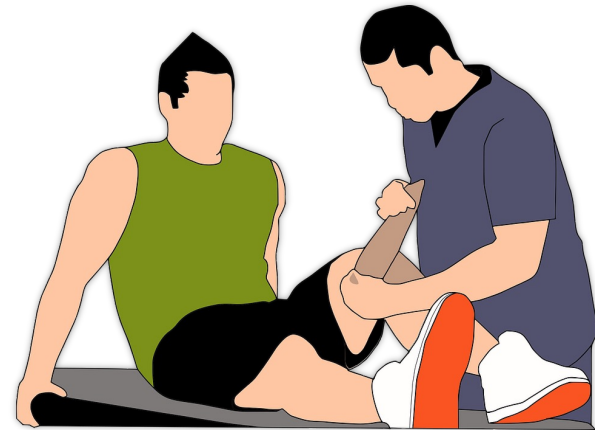


ATHLETIC SCHOLARSHIPS

Not a great bet!

Very small percentage of high school athletes receive full or partial scholarships

Most of the time, if you don't play (e.g., you're injured, cut, or just not interested anymore), your scholarship is terminated



US GOVERNMENT CAN HELP

Federal Grants

Pell Grant: requires FAFSA; up to \$7,395 – need not be repaid

Federal Supplemental Educational Opportunity Grant (FSEOG) – from \$100 to \$4,000 a year – has limited funds

Teacher Education Assistance for College and Higher Education Grant (TEACH) – requires to complete a teaching service obligation

Federal Tax Benefits

-American Opportunity Credit (formerly Hope) \$2,500/year – Max of 4 years (undergrad only)

-Lifetime Learning Credit max \$2,000/year (20% of first 10,000). Lifetime.
(both cannot be claimed in the same year for same student)

-Tuition and Fees Deduction \$4,000/year (Expired in 2020 but old expense can be claimed)

-Student Loan Int. Deduction lesser of \$2,500/year or actually paid – also phased out completely for HNW

-Coverdell Education Savings Account and Qualified Tuition Programs/529



What is an Education IRA?

- Tax-advantaged account for education costs (\$2000 p/y per child limit)
- Offers more flexibility in investment options but has lower contribution limits.
- While contributions aren't tax-deductible, earnings grow tax-free.
- Withdrawals for qualified expenses remain untaxed.
- Also called **Coverdell Education Savings Accounts**.



What is a 529 Plan?

1. Designed to encourage savings for education expenses
2. Plans are offered at the state level (All 50 states and the District of Columbia sponsor 529 plans.)
3. Tax-advantaged investment accounts (after-tax contributions, earnings grow federal income tax-deferred, distributions are federal income tax-free if used for qualified education expenses)



Evolution of 529 Plan

- 1996 – Creation: Introduced (tax-deferred growth)
 - 2001 – Breakthrough: Tax-free withdrawals → mainstream adoption
 - 2010–2017 – Expansion: Better flexibility and investment options
 - 2017 – K–12 Use: Up to \$10K/year for tuition
 - 2019 – Loan Flexibility: Student loan repayment allowed
 - 2024+ – Roth Conversion: Up to \$35K rollover to Roth IRA
- Trend: Tax-deferred → Tax-free → Flexible → Multi-purpose → Wealth-building tool



Is 529 Good for you?

Category	Benefits	Disadvantages
Tax Treatment	Tax-free growth and withdrawals for qualified education expenses	Earnings taxed + 10% penalty if used for non-qualified expenses
Contribution Limits	Very high limits (\$100K+ per beneficiary depending on state)	No annual deduction at federal level (only some states offer benefits)
Income Eligibility	No income limits — anyone can contribute	None (this is a strength, not a drawback)
Financial Aid Impact	Treated as parent asset (~5.64%) → low impact on aid	Still counted (though minimally) in aid calculations
Flexibility	Can change beneficiary to another family member	Limited to education use (less flexible than brokerage accounts)
Investment Options	Simple, pre-built portfolios (age-based options)	Limited control compared to stocks/ETFs
Ease of Use	Easy to set up and manage	Less customization for advanced investors
Estate Planning	Allows 5-year gift front-loading (powerful estate tool)	Contributions are irrevocable (money is committed to beneficiary)
New Features	Can roll over unused funds to Roth IRA (up to ~\$35K)	Rollover has limits and conditions
K–12 Usage	Can use up to \$10K/year for tuition	Limited compared to Coverdell ESA (which allows broader K–12 expenses)



Options for 529 Account Distributions

Higher Education Uses

Covered Uses

- Tuition
- Room and Board
- Books, Computer and supplies

NOT Covered Expenses

- Commuting and Transportation
- Daycare Expenses
- Clubs or Other Activities

Additional Uses for 529

- K-12 expenses up to \$10K per year**
- Student loan repayment up to \$10K lifetime of beneficiary**
- Trade schools and apprenticeship programs**
- Up to \$35K toward a Roth for the beneficiary**
- Opportunity to change beneficiary+
- Options for those who get a scholarship or attend U.S. Military Academy

** some restrictions apply. Check with a your tax advisor



How do Education IRA and 529 Plans Differ?

Education IRA	529 Plans
<p>Contribution Limits: \$2000/year per child with income limits</p> <p>Tax Benefit: Contributions are NOT Tax deductible at Federal or State level</p> <p>Investment options: Large option, customize your investment portfolio.</p> <p>Age of Beneficiary: Contributions until 18 years old. Funds needs to be withdrawn by age 30</p>	<p>Contribution Limits: Limited to the cost of education outlined by the state where the account is held – Usually very high (MA \$500,000 lifetime). NO INCOME LIMIT</p> <p>Tax Benefit: Contributions are NOT Tax deductible at Federal level. Some states offer state tax deduction (MA Ufund offers up to \$1,000 for single filers and up to \$2,000 for married persons filing jointly) – no income limit but tax benefit per filer NOT based on # of beneficiary)</p> <p>Investment options: Very limited investment option</p> <p>Age of Beneficiary: No restrictions around age of beneficiary.</p>



Comparing Plans

Feature	529 Plan	Coverdell ESA	UTMA/UGMA	Roth IRA	Brokerage Account
Tax-free growth	✔ Yes	✔ Yes	✘ No	✔ Yes	✘ No
Tax-free withdrawal	✔ Yes	✔ Yes	✘ No	✔ Yes*	✘ No
Contribution limit	Very high (\$100K+)	\$2K/year	No limit	~\$7K/year	No limit
Income limits	✘ None	✔ Yes	✘ None	✔ Yes	✘ None
Investment flexibility	Limited	High	High	High	High
Use restrictions	Education only	Education only	No restriction	Flexible	Flexible
Financial aid impact	Low (~5.64%)	Low	High (~20%)	Low	Medium
K-12 usage	Limited	Broad	Yes	Limited	Yes
Ease of use	Easy	Moderate	Easy	Moderate	Easy

Compare prepaid and investment plan

Feature	Prepaid Plan (U.Plan)	529 Investment Plan (U.Fund)	What UMass Amherst Trend Suggests
Tuition inflation protection	✓ Locks current rates	✗ No guarantee	Valuable given ~4–5% annual increase
Growth potential	✗ Limited (bond-based)	✓ Market-based (~6–8% long-term)	Needed to keep up or beat rising costs
Flexibility	✗ Limited to MA schools	✓ Nationwide use	Important if plans change
Coverage	Tuition only	Tuition + room/board + expenses	Costs beyond tuition are rising too
Risk	Low	Market risk	Trade-off between certainty vs growth
Best use case	Certainty	Long-term growth	Both solve different parts of problem



2015: ~\$30K
 2025: ~\$40K+
 → ~30% increase in 10 years (~4–5% annually)

WHAT IS FAFSA

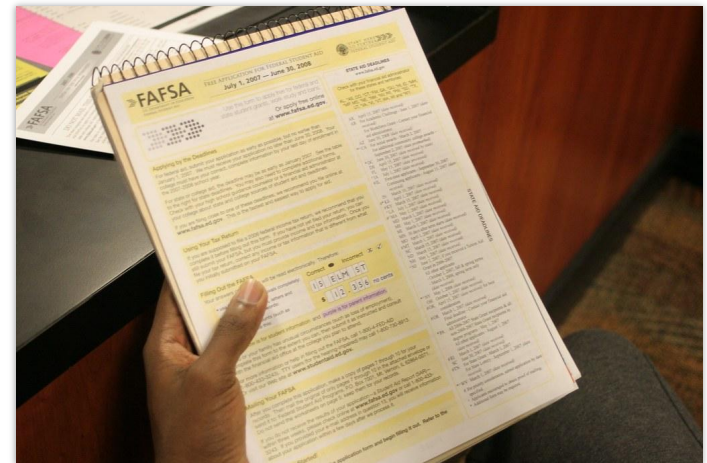
‘Free Application for Federal Student Aid’

How much money will I get?

Cost of Attendance - Expected Family Contribution (EFC) = **FINANCIAL NEED**

Financial need can be served in grants, loans, or work-study programs

- Fill it out online in as little as 30min (but don't worry if it takes longer!)
- FAFSA.gov
- Used by all schools!



FINANCIAL AID MISTAKES

Not filling out the FAFSA

- It **can** take only 30 min!
- Becomes available October 1, 2024

Not reading FAFSA instructions carefully

- All written from the student's perspective!

Not following up with schools' financial aid offices

- Do the schools have everything they need?

How do Plans compare

Plan Type	Who Owns It	FAFSA Treatment	% Counted Toward Aid	Impact Level	Key Notes
529 Plan (Parent-owned)	Parent	Parent asset	Up to 5.64%	● Low	Most efficient for aid
UTMA / UGMA	Student	Student asset	Up to 20%	● High	Worst for aid
Custodial 529 (from UTMA)	Student (but treated as parent)	Parent asset	Up to 5.64%	● Low	Much better than UTMA
Taxable Brokerage (Parent)	Parent	Parent asset	Up to 5.64%	● Medium	No tax benefits
Taxable Brokerage (Student)	Student	Student asset	Up to 20%	● High	Hurts aid significantly
Savings Account (Parent)	Parent	Parent asset	Up to 5.64%	● Medium	Same as brokerage
Savings Account (Student)	Student	Student asset	Up to 20%	● High	Strong negative impact
Roth IRA (Parent)	Parent	NOT counted as asset	0%	● None	Very strategic
Roth IRA withdrawals	Parent	May count as income	Up to ~50% impact	● Medium	Timing matters
Coverdell ESA	Parent	Parent asset	Up to 5.64%	● Low	Similar to 529



AUDIENCE POLL

What is the Massachusetts' state minimum wage rate?

- A. \$7.25 per hour
- B. \$14.25 per hour
- C. \$10.75 per hour
- D. \$15.00 per hour



YOUR TIME: WHAT CAN YOU MAKE BEFORE YOU GRADUATE

- ✓ Work full-time for one year before college (“gap year”) = **2,000 hours**
- ✓ Work 15 hrs/week during college = 600 hours/year x 4 = **2,400 hours**
- ✓ Work summer jobs = 500 hrs/year x 3 = **1,500 hours**

5,900 hours @ \$15.00 per hour = \$88,500!



YOUR TIME: WHAT ELSE CAN YOU DO TO HELP PAY?

U.S. Military:

- ROTC scholarships – requires commitment to 8 years in Reserves
- GI Bill (Post-9/11 & Montgomery) – tiered based on length of active-duty service
- Military Tuition Assistance – current service members

AmeriCorps & VISTA – grants after 12 months service

National Health Service Corps – scholarships in return for commitment to post-graduation service (minimum 2 years)

[ROTC Scholarships | U.S. Army \(goarmy.com\)](http://goarmy.com)

[Our frequently asked questions | AmeriCorps](#)



OTHER PEOPLE'S MONEY: LOANS YOU MUST PAY BACK

Direct (Stafford) loans

- *subsidized and unsubsidized rate is projected to be about 6.09% for 2024-2025*

Parent Plus loans

- *unsubsidized projected to be about 8.63% plus fees*

Private loans (from banks, etc.)

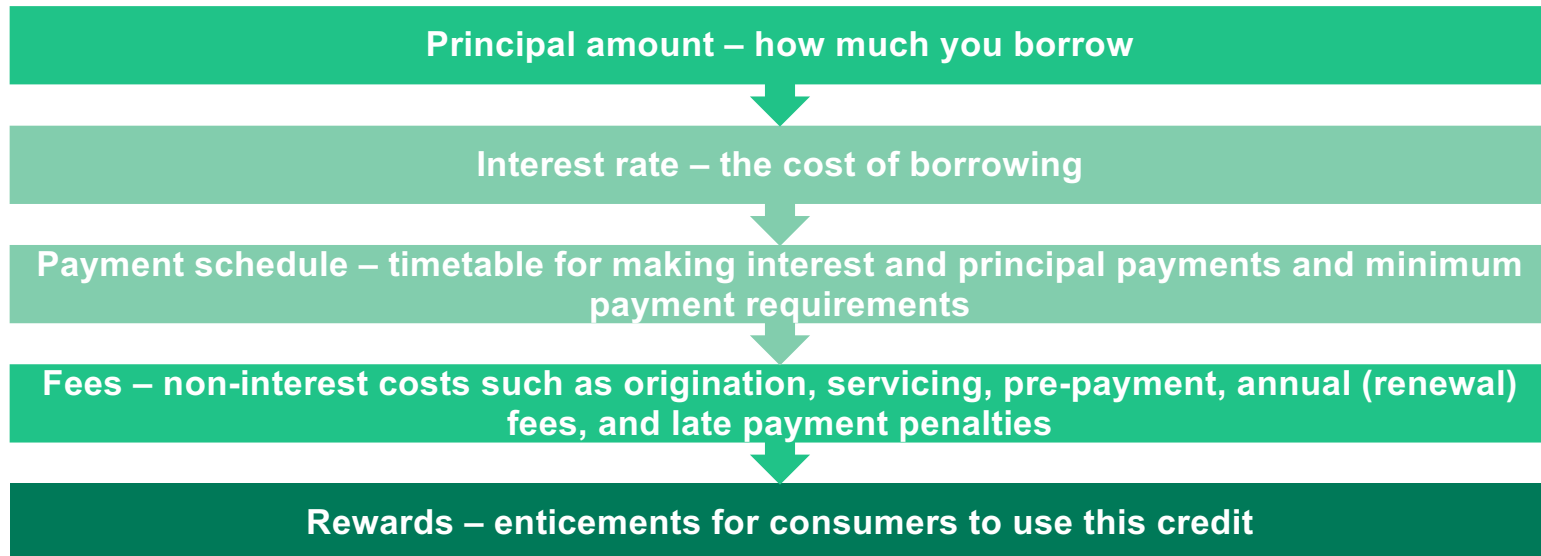
- *6% to 15% terms and requirements vary widely*

Personal loans (from friends and relatives)

- *May not be available for everyone*



KEY ASPECTS OF CREDIT OR BORROWING



THE INTEREST RATE MATTERS

Repaying \$30,000

Student Loan with 5% interest, \$318 mo, 120 mo or 10 yrs = **\$38,184**

Student Loan with 7% interest, \$348 mo, 120 mo or 10 yrs = **\$41,799**

Student Loan with 15% interest, \$484 mo, 120 mo or 10 yrs = **\$58,081**



EVALUATING FINANCIAL AID

Understand your financial aid offer letter

Will your school guarantee your Financial Aid package for 4 years, if you are a student in good standing?

Do not take any loans you do not need!

Can you expect to earn *at least* the total of your loans as a starting salary?

Repay loans over first 10 years of working



ALTERNATIVE SCENARIOS

Early College

Community college for 2 years, then transfer

- MassTransfer & Commonwealth Commitment
- Part-time college while you work

Wait to start college until you have some savings

Work-based learning and CTE (Career & Technical Ed.)

On-line colleges



SUMMARY

Lots of ways to make it happen – Don't just wing it – have a plan!

Resources:

School counselors

Boston Public Library College Planning Center
(ASA/American Student Assistance)

Web resources:

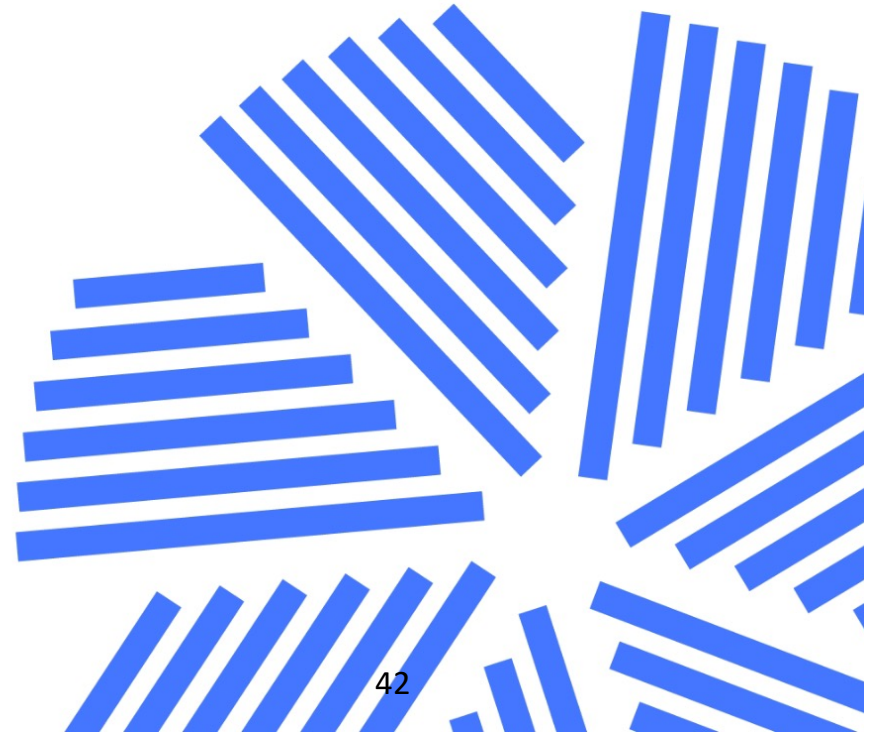
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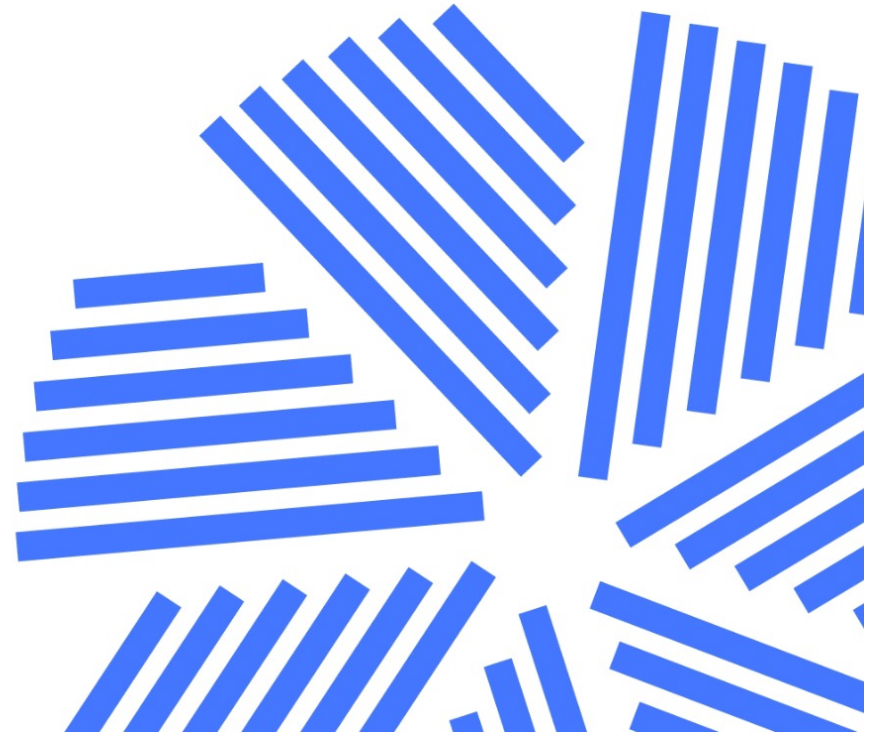
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Thank You



About CFA Society Boston Financial Literacy Program

Who We Are

CFA Society Boston is dedicated to putting investors first and raising ethical standards within the investment profession. We unite Boston's investment community and provide a forum for collaboration, education, and innovation. Originally called the Boston Security Analysts Society, Inc., we are a non-profit professional society founded in 1946. In 2017, we became CFA Society Boston. More than 6,000 investment professionals locally and globally are members of CFA Boston, representing over 650 investment firms. 96 percent of CFA Boston members hold the Chartered Financial Analyst designation from CFA Institute.

Our Financial Literacy Mission

This community outreach program aligns with non-profit groups to reach a wide variety of audiences, from late high school onward. Since its inception in 2014, the initiative has touched thousands of people, partnered with over 30 organizations, and currently has over 30 active volunteers. This community outreach program makes valuable financial literacy content available to the general investing public through collaboration with our alliance partners. The initiative addresses issues such as Personal Finance, Basics of Investing, Retirement, Bonds vs. Equities, Choosing a Bank, and more.

How it Works

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How to Partner with the CFA Society Boston Financial Literacy Program

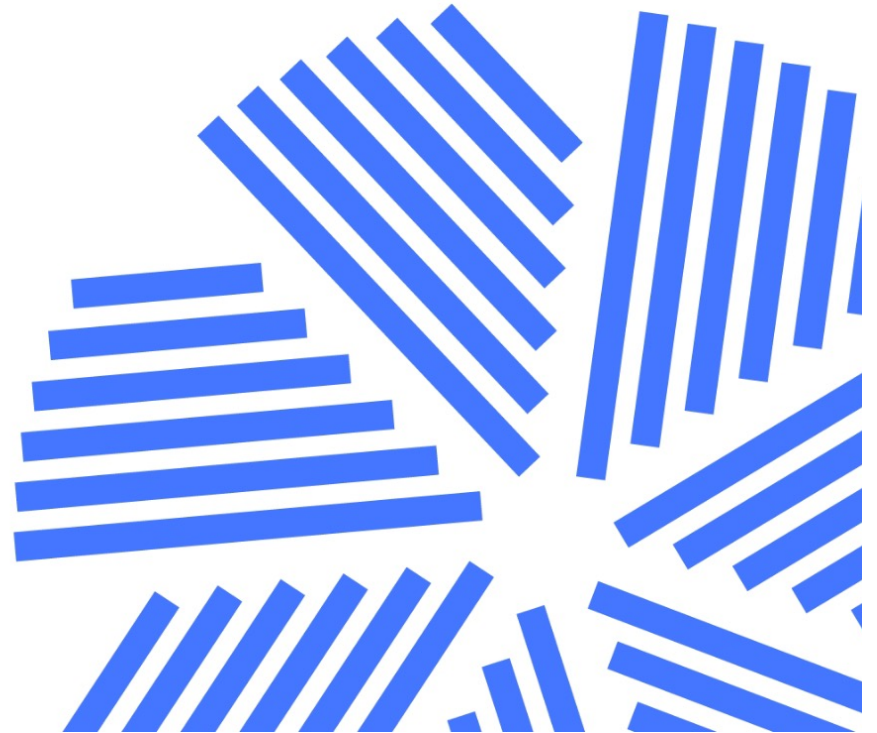
What CFA Society Boston Commits To

- Provide neutral, expert presenters
- Set up and present topics
- Supply the presentation / activity
- Bring a laptop and materials
- Be experienced in presenting in-person and in a virtual setting

What Your Organization Commits To

- Provide the audience and venue, either in-person or virtual
- Promote the event onsite, local newspapers and website
- Make a projector or USB connection available
- Briefly introduce presenter(s) Complete a post offering survey

For more information on how CFA Society Boston can partner with you visit www.cfaboston.org/financialliteracy or email finlit@cfaboston.org.





PRESENTATION INFORMATION

Alliance Leader(s):

Date of Offering:

