

## Saving for College Is Important. So Is Talking About It.

Create a plan, then make sure to share it with your future college student.

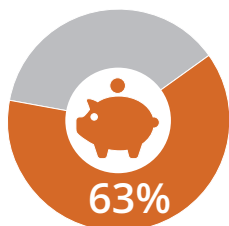


Looking at the tuition and fees page on college websites can be enough to make your jaw drop. However (thankfully), few of us pay the full sticker price for a degree. Between loans, scholarships, and financial aid, there are numerous options to make college more affordable.

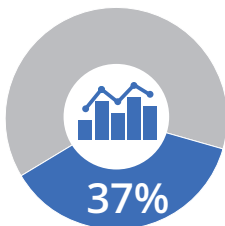
If you've opened a state-sponsored, tax-advantaged 529 college savings plan, you're already off to a great start. But how does your 529 plan factor into your larger strategy to pay for your child's education? And how much have you discussed with him or her?

### How America Pays for College

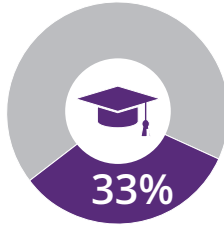
33% of America's college savings are held in 529 accounts, even though parents who take advantage of these investment vehicles can amass higher average amounts than the majority who stash cash in savings and checking accounts.<sup>1</sup>



Current  
Income



Other Savings or  
Investments



529 College  
Savings Plans

Source: Sallie Mae, "How America Pays for College 2022," 8/22.

A growing number of families—59%—say they have a plan to pay for the full cost of college before a student enrolls, and 44% say they make the final decision about how to pay for college together.<sup>1</sup> Has your family had this conversation?

### Parental Expectations

Most parents consider minimizing college costs to be important to their families. And 75% of parents paid a portion of the cost of their child's college education out of their own pocket.<sup>1</sup> Parents seek to save an average of \$55,342 for this purpose.<sup>2</sup> In addition to the average parental savings, most expect the cost of college to be a burden shared between parents and student.

On average, parents' income and savings contribute about 43% of tuition per year.<sup>1</sup> The remainder is funded through a combination of student income, scholarships, grants, federal student aid, loans, and gifts from family. Even though many families are saving for college, 64% of families who borrow say that was always part of their plan.<sup>1</sup>

### Relaying Expectations to Children

When it comes to paying for college, closing the parent-child communication gap is important. In order to make the overwhelming task more manageable, it's best to create a plan and be transparent with your child about that plan so you can work together.

The first step, which should be ongoing throughout your child's primary and high school education, is to consult with your financial professional.

If you're using a 529 plan, you're already taking advantage of a tool that may enable you to save more than the average parent who is using a savings or checking account. Your financial professional can serve as a resource for maximizing the potential of your child's 529 plan within your individual family and financial situation.

The second step is to discuss with your child who will pay for tuition and fees before they apply for college.

Have you explained what a 529 is? Should they plan to apply for grants and scholarships? Have you explained the benefits of attending school in-state? Are they aware of how being a resident assistant could help make college more affordable?

Consider setting your child up with a solid foundation to finance his or her future with a 529 plan. Then help build on that foundation by having honest, open conversations.

### On Target to Meet Your Goals?

Even if your goals are appropriate given your family's circumstances, what about your savings rate? Do you think that you'll achieve your goal? Be sure to talk with your financial professional.

#### What Is a 529 Plan?

- A 529 plan is a state-sponsored, tax-advantaged savings account that grows tax free.
- The account owner retains control over the account, even after the beneficiary reaches 18. Beneficiaries can be changed or transferred easily.
- Fees and expenses vary by state, as do tax advantages.
- Returns are not guaranteed, and you could lose money by investing in a 529 plan.
- Non-qualified withdrawals are taxable as ordinary income to the extent of earnings and may also be subject to a 10% federal income tax penalty.

**Talk to your financial professional about how your family plans to save for college.**

<sup>1</sup> Sallie Mae, "How America Pays for College 2022," 8/22.

<sup>2</sup> Education Data Initiative, "College Savings Statistics," 12/8/22.

Before investing, an investor should consider whether the investor's or 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.

For more information about any 529 college savings plan, contact the plan provider to obtain a Program Description, which includes investment objectives, risks, charges, expenses, and other information; read and consider it carefully before investing. Hartford Funds Distributors, LLC serves as distributor and underwriter for some 529 plans.

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