

## 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 UNIVERSITY 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's a number of options to help make the price tag of a higher education a bit more manageable.

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 Saves for College

Just 30% 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>

Future college grads are largely expected to play a role in paying for their education. Yet only half of parents who believe their children are partly or wholly responsible for footing the bill for a degree discuss these expectations with them.<sup>1</sup>



General Savings Accounts



Investment Accounts



529 College Savings Plans

Source: How America Saves for College 2018. Sallie Mae.

<sup>1</sup> Source: How America Saves for College 2018. Sallie Mae.

## 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.
- Effective January 1, 2018, as part of the Tax Cuts and Jobs Act, up to \$10,000 per student can be withdrawn annually to pay for private K-12 education.\*
- 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.

\* Qualified-expense status varies by state for withdrawals used for K-12 education. 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.

## Parental Expectations

Most parents consider minimizing college costs to be important to their families. And 57% of parents were saving for their child or children's college educations in 2018.<sup>1</sup> Last year, parents saved an average of \$18,135 for this purpose.<sup>1</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 who are saving expect to pay about 40% themselves.<sup>1</sup> These parents expect the remainder to be funded through a combination of student income, scholarships, grants, federal student aid, loans, and gifts from family. Parents who save expect 13% of the price of college education to be paid through student loans, though in reality, that number tends to be closer to 20% on average.<sup>1</sup>

Eight percent of parents believe that the onus falls entirely on their child.<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 is best to create a plan and be transparent with your child about that plan so that you can work together.

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

If you're using a 529 plan, you are 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 advisor 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 who is paying for tuition and fees with your child before they apply for and enroll in college. Have you explained what a 529 is? Do you intend for her to apply for grants and scholarships? Have you explained to him the benefits of attending school in-state? Is she aware of how being a resident assistant could help?

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? Talk with your financial advisor, and check out the College Savings Planner calculator at [hartfordfunds.wealthmsi.com](http://hartfordfunds.wealthmsi.com). Simply plug in a few numbers to find out if you're on track to save enough.

<sup>1</sup> Source: How America Saves for College 2018. Sallie Mae.

<sup>1</sup> Source: How America Saves for College 2018. Sallie Mae.

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.

"The Hartford" is The Hartford Financial Services Group, Inc. and its subsidiaries.

CCWP036\_0918 208448