APOLLON

Education Planning

Disclosure

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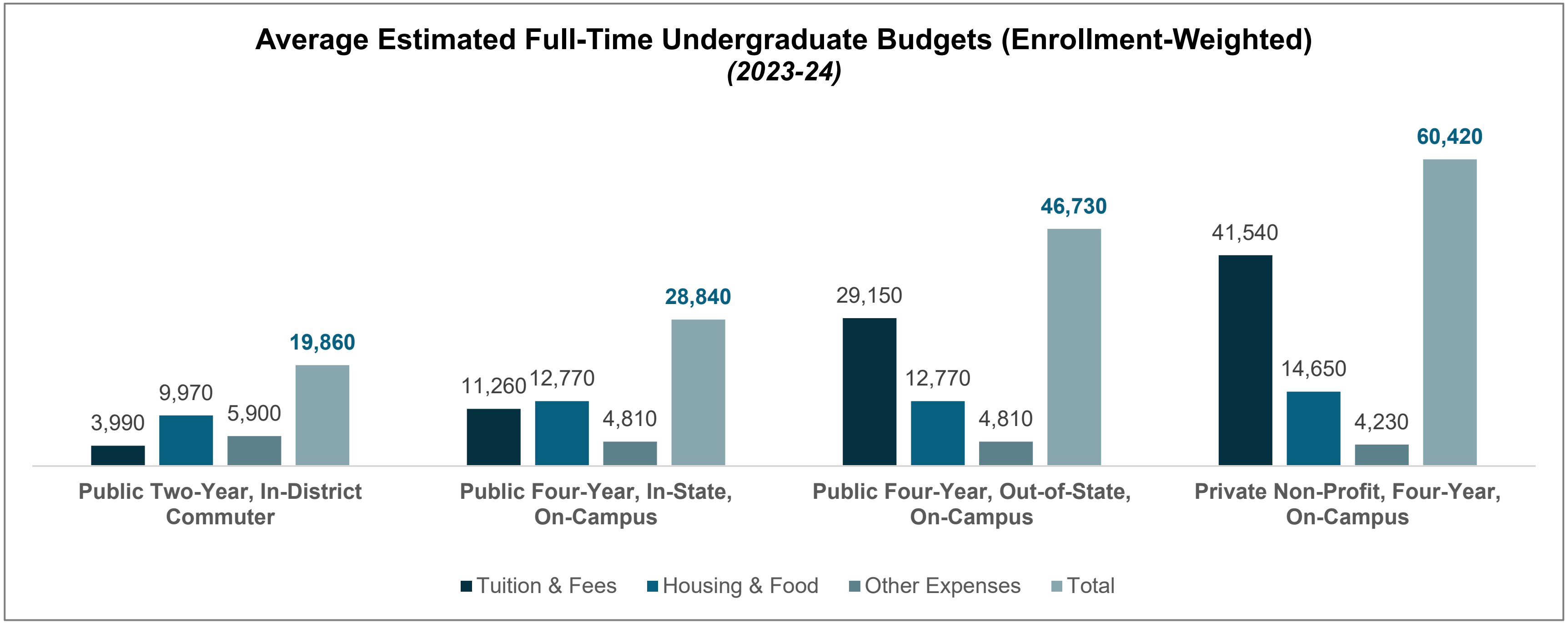
The High Cost of a College Education

The cost of college tuition and fees – for four-year public and private colleges and for two-year colleges – has outpaced inflation for the past several decades.

It is impossible to predict the future cost of college though it is reasonable to expect that such costs will continue to increase, making the need for a 529 account more important.

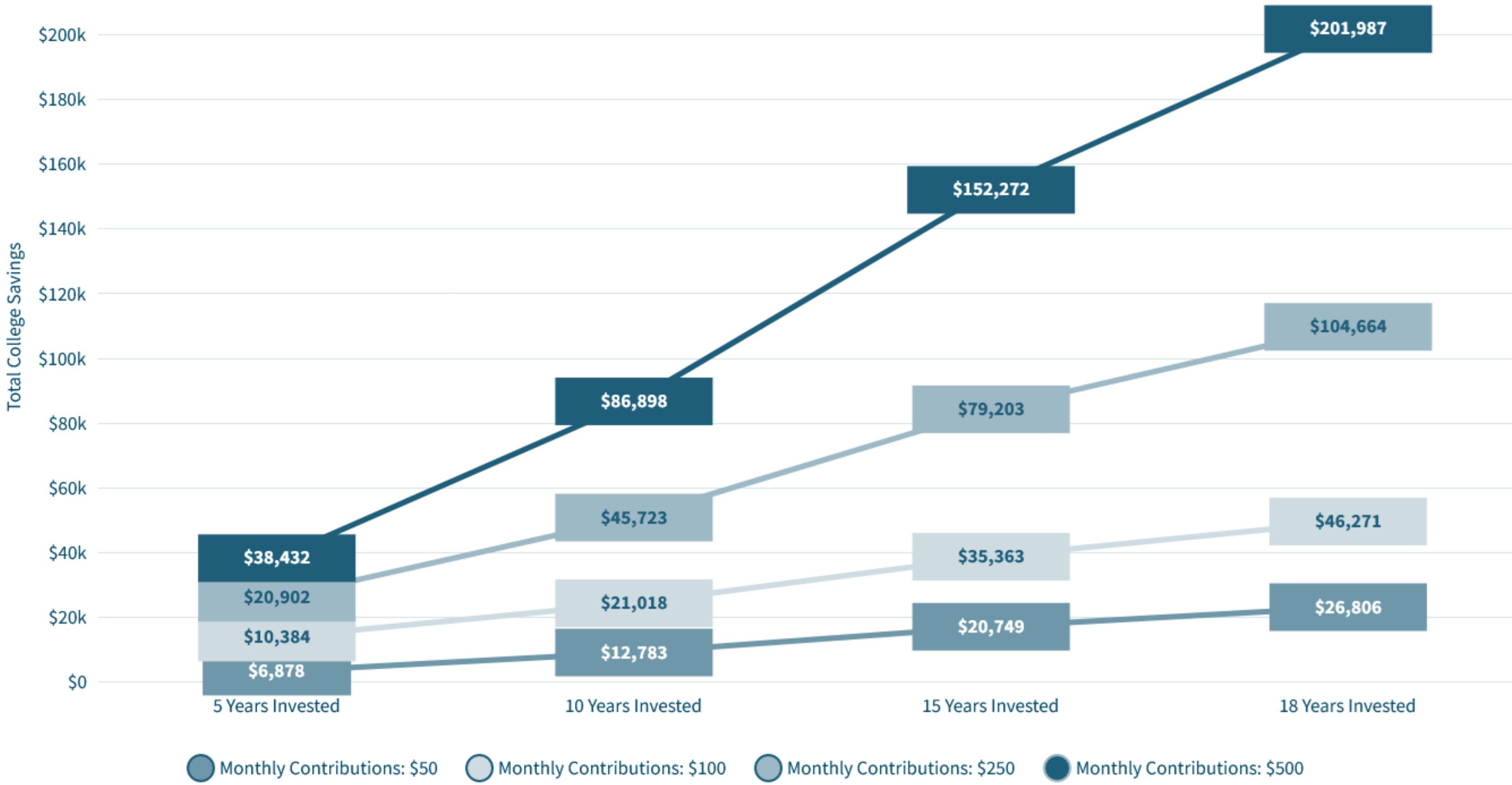


NOTE: Expense categories are based on institutional budgets for students as reported in the College Board's Annual Survey of Colleges. Figures for tuition and fees and housing and food mirror those reported in Table CP-1. Data for books and supplies, transportation, and other expenses are projected and reflect the average amounts allotted in determining the total cost of attendance and do not necessarily reflect actual student expenditures. Books and supplies may include course materials such as hardcopy textbooks, online textbooks, textbook rentals, and other supplies such as a personal computer used for study. Source: College Board, Annual Survey of Colleges; NCES, IPEDS Fall 2021 Enrollment data; Student Watch and Student Monitor.

Source: The College Board "Trends in College Pricing" (October 2023).

Make Time Your Ally: The Power of Compounding

Saving consistently over time can better prepare for future education expenses



** For illustrative purposes only. This hypothetical example illustrates the accumulation potential with a $2,500 initial investment and a monthly contribution plan at a 6% projected average annual return. The above example is based on projections and does not reflect an actual investment in the Bright Start Direct-Sold College Savings Program. If fees were included, the returns would be lower. Actual results may differ considerably from the illustration above. These results are hypothetical and do not represent results earned by clients of Apollon Financial.*

Source: Bright Start – "Plan for the rising cost of college" (https://brightstart.com/cost-of-college/)

Key Benefits of 529 Plans

Flexibility and Control

- Owned by the individual who opens the account, not the beneficiary. The beneficiary can be changed at any time.
- The new beneficiary must be a family member (sibling, step-sibling, spouse, or cousin are eligible).[1]
- Investment allocations can be changed up to twice per year for previously invested funds. New deposits can be changed at any time.[2]

Tax Benefits

- Tax-free investing and withdrawals for qualified education expenses, as well as up to $10,000 per child per year for K-12 expenses.
- May be eligible for a state income tax deduction depending on state of residence.[1]
- Effective January 1, 2024, SECURE Act 2.0 provides for a new allowance of tax-free and penalty-free rollovers directly to a Roth IRA.[4]

Favorable Financial Aid Treatment

- The value of an account owned by a dependent student or parent is considered a parental asset on the Free Application for Federal Student Aid (FAFSA.).
- Recent FAFSA changes benefit grandparent-owned accounts. Effective October 1, 2023 (for the 2024-25 academic year), students are no longer required to disclose cash distributions.[3]

Who Can Contribute?

- Accepts third-party contributions, regardless of who owns the account.
- While parents are the most likely to contribute to an account, anyone (including grandparents, aunts, uncles and friends) can contribute.[1]

[1] *Savingforcollege.com - "What is a 529 Plan?" (October 2023)*
[2] *Savingforcollege.com - "How Many 529 Plan Investment Changes can you Make a Year" (February 2020)*
[3] *Savingforcollege.com - "Does a 529 Plan Affect Financial Aid?" (August 2023)*
[4] *Savingforcollege.com - " New Federal Tax Law Enhances 529 Plan Benefits" (January 2023)*

Questions to Ask an Apollon Advisor

What is a 529 savings plan?

529 savings plans are flexible, tax-advantaged accounts designed specifically for education savings.

Earnings on contributions grow federal income tax-deferred, and qualified withdrawals taken to pay for qualified higher education expenses such as tuition, fees, books, computer expenses or room-and-board are free from federal income taxes.

Am I on track? How do I estimate higher education costs?

Given the high cost of a college education, saving early and often should be a priority for parents.

Periodically reviewing the cost of a four-year college education against current savings can be a helpful exercise to determine whether you are on track.

What can I do with the money left in the account?

The 529 account beneficiary can be changed to an eligible family member to use for their qualified education expenses.

Alternatively, you could take a non-qualified withdrawal. However, the portion of the non-qualified withdrawal attributed to investment earnings will be subject to federal and state income taxes plus a 10% federal tax penalty.

Source: https://www.fidelity.com/529-plans/overview

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