



The T. Rowe Price Perspective:

EXPLORING EDUCATION SAVING AND INVESTING STRATEGIES

Christine Akins	Head of College Savings
Roger Young, CFP®	Senior Financial Planner
Stuart Ritter, CFP®	Senior Financial Planner



Discussion Topics

- ▶ Why you should save for education
- ▶ How much your student might need
- ▶ What account(s) you should consider
 - Potential advantages
 - Common myths and misconceptions
- ▶ How to invest

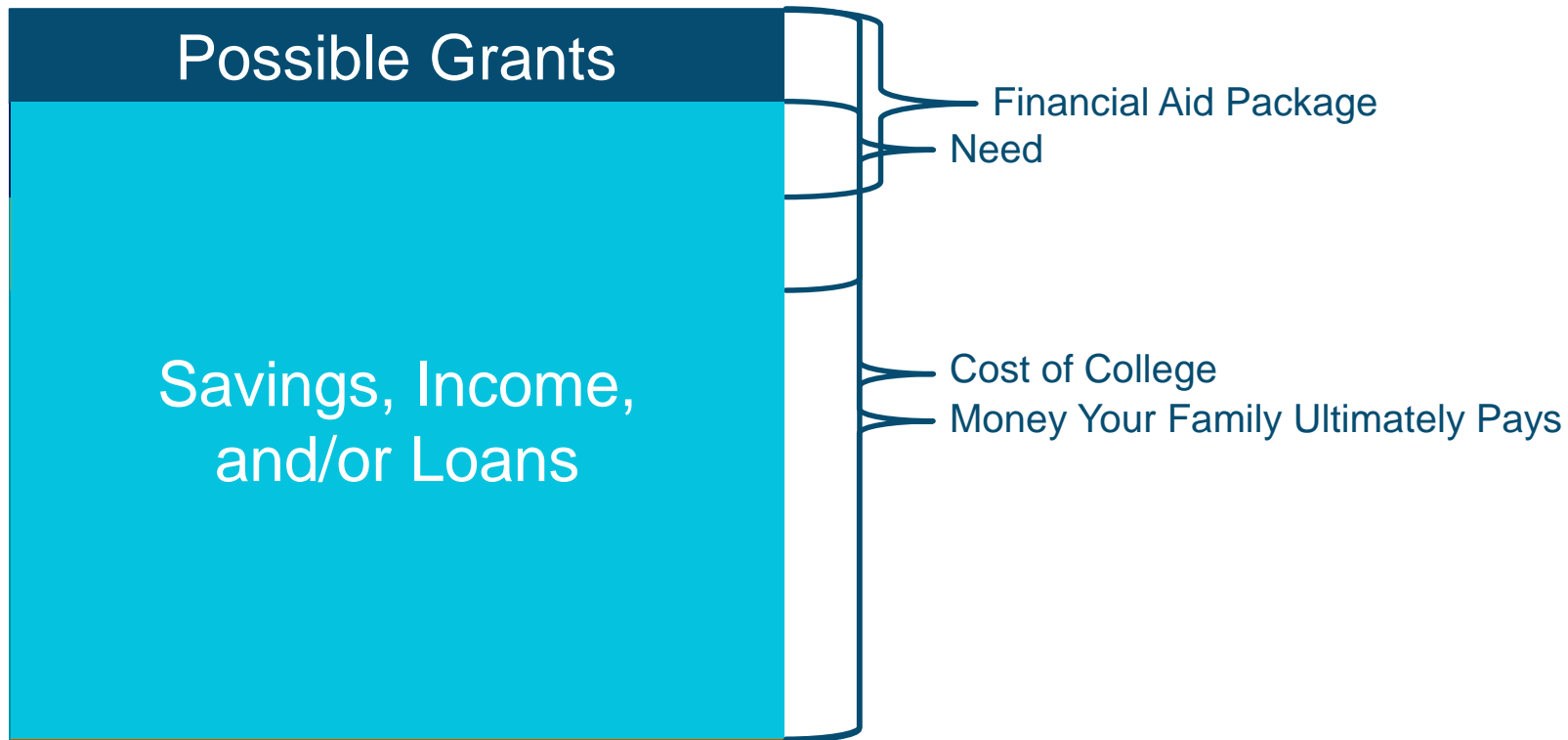


Why Save for College?

- Achieving the goal: a college degree
- More flexibility and choice
- Less reliance on loans



Funding College



The size of the components depicted are illustrative. Actual amounts required will vary depending on your family's situation and the particular college chosen.



Developing your Priorities

- Assess what is most important to your family.
- Take care of your retirement first.
 - To keep your same lifestyle, most income in retirement comes from savings.
 - Many options exist to fund college.
- Prioritize college savings versus other financial objectives.



Borrowing Requires Twice as Much Out-of-Pocket Payment

Saving for college could help you pay a lot less over time. In the example below, the total outlay to cover \$25,000 in college costs is more than 50% less when saving versus borrowing.

Saving

- Invest \$86 monthly for 15 years (\$15,500 total) before college.
- Receive \$9,500 in potential earnings from 529 plan to cover balance of college costs.

\$15,500 out-of-pocket

VS.

Borrowing

- Borrow \$25,000 to cover college costs.
- Pay \$266 monthly for 10 years (\$32,000 total) after college to cover \$25,000 loan principal and \$7,000 in interest.

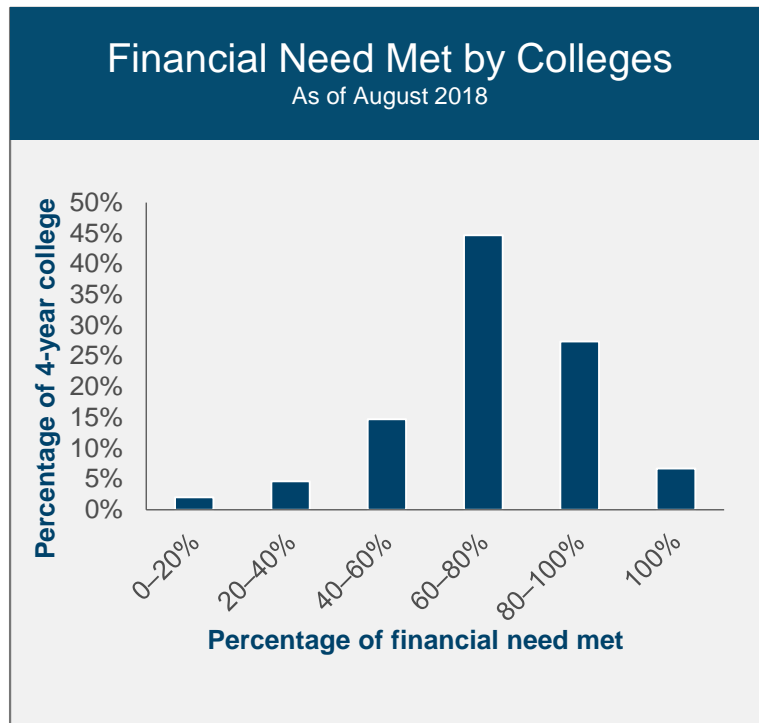
\$32,000 out-of-pocket

Assumes a 6% annualized return and a loan interest rate of 5.05% annualized on federal direct undergraduate loans, which do not accrue interest during college. Total loan repayment period is 10 years. This depiction is for illustrative purposes, and amounts are rounded. It is not representative of any particular investment or loan, and it does not consider any investment or loan origination fees.

Will Colleges Fill the Gap?

Most colleges do not provide aid sufficient to fully cover student need.

- Fewer than 10% of four-year colleges meet 100% of their students' demonstrated need.
- Nearly half of institutions only meet 60% to 80% of their undergraduates' need.



Source: T. Rowe Price calculations based on College Board Big Future college search data.

How Much You Might Expect to Contribute

Colleges will likely require you to pay more than you anticipate.

- You are expected to devote a major portion of your income to college.
- Accumulating assets doesn't increase your projected contribution as much as increasing income.

Estimated Expected Family Contribution (\$)

For a Family of Four With One Child in College, 2019–20 School Year:

Parents' 2017 adjusted gross income (\$)	Total current value of parents' cash and non-retirement investments (\$)				
	-	25,000	50,000	100,000	200,000
75,000	8,100	8,600	9,800	12,600	18,300
100,000	16,400	17,100	18,500	21,300	27,000
150,000	31,800	32,500	33,900	36,700	42,300
200,000	46,600	47,300	48,700	51,600	57,200
250,000	61,000	61,800	63,200	66,000	71,600

Source: T. Rowe Price calculations based on Expected Family Contribution (EFC) Formula..

Assumptions that affect the EFC formula: The older parent is 50 years old as of 12/31/19. The student is a dependent, has \$5,000 of assets, and has income below \$6,500. The family has no nonwork income or other assets for Free Application for Federal Student Aid (FAFSA) purposes. The family uses the married filing jointly status and standard deduction for federal income tax and lives in a state with the median FAFSA tax allowance.

Popular Education Saving and Investing Options

	529 SAVINGS PLAN	UGMA/UTMA*	TAXABLE ACCOUNT
Savings Usage	Almost all colleges or universities in the U.S. and some international schools are eligible, and up to \$10,000 per year can be used for qualified K-12 tuition expenses.	Until the child reaches the age of majority, the custodian must use the money for the child. After that, the money belongs to the child.	No restrictions
Tax Treatment of Withdrawals and Earnings**	No federal taxes for withdrawals used to pay qualified expenses. Until withdrawal, your account has tax-deferred growth potential.	Above a given level, earnings will be taxed at either the child's or the parent's rate.	Taxes apply. Earnings may be taxed as capital gains or ordinary income.
Account Control	Account holder	Belongs to the child, although it is controlled by a custodian until the child reaches the age of majority.	Account owner
Financial Aid Impact	Considered parental assets and factored as a relatively small percentage of the account value. Account earnings and withdrawals are not considered income.	Considered student's assets and factored as a larger percentage of the account value.	Considered parental assets and factored as a relatively small percentage of the account value.
Beneficiary Changes	Yes, to another member of the beneficiary's family.	No	Not applicable

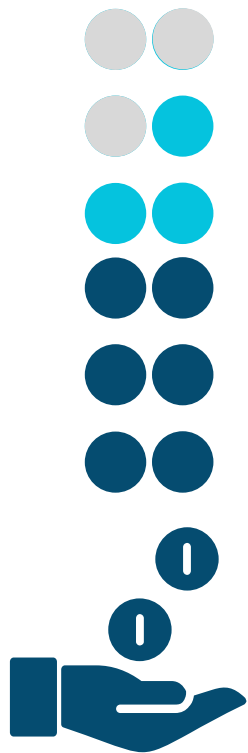
*UGMA = Uniform Gifts to Minors Act; UTMA = Uniform Transfers to Minors Act.

**This chart only addresses federal tax advantages because state tax treatment may vary. The earnings portion of a 529 distribution for nonqualified expenses may be subject to income taxes and a 10% federal penalty.



A Regular Taxable Account

1. Contribute money to the account.
2. Invest in something.
3. Pay taxes on any earnings along the way.
4. Pay taxes on the rest of any earnings when you withdraw.
5. You get to spend what's left over after paying those taxes.



This depiction is for illustrative purposes. It is not representative of any particular investment or tax rate.

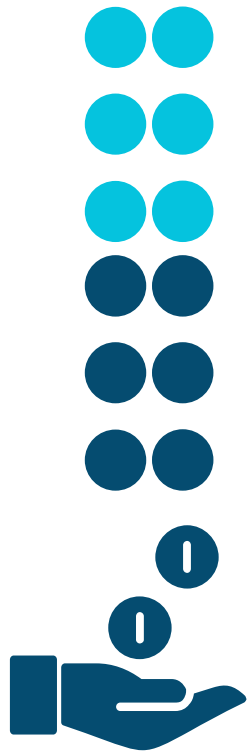


A Tax-Advantaged 529 Savings Plan Account

LET'S MAKE A DEAL!

1. Contribute money to a 529.
2. Invest in something.
3. Pay no taxes while invested.
4. Pay no taxes on any earnings when you withdraw (if you spend the money on qualified educational expenses).
5. You get to spend the entire balance since you pay no taxes on any earnings.

Many states offer tax benefits for contributions to a 529 plan. That's just another added bonus.



Please note that the availability of tax or other benefits may be conditioned on meeting certain requirements, such as residency, purpose for or timing of distributions, or other factors, as applicable. This depiction is for illustrative purposes. It is not representative of any particular investment or tax rate.



Using a Roth IRA to Fund Education

This is not the best strategy for most investors.

- Contributions can be withdrawn without taxes or penalties, but earnings can be subject to both.
- Lowers the amount you've saved for retirement.
- May impact financial aid consideration as withdrawals are considered income.

A 529 plan is designed for education savings and is generally the recommended strategy.



Considerations for High Earners

- Tax advantages of a 529 plan are greater for those paying higher taxes.
- Annual gifts to a 529 of up to \$15,000 per parent per beneficiary are excluded from gift taxes.
- You may contribute up to 5 years of this exemption (\$75,000) in a single year.



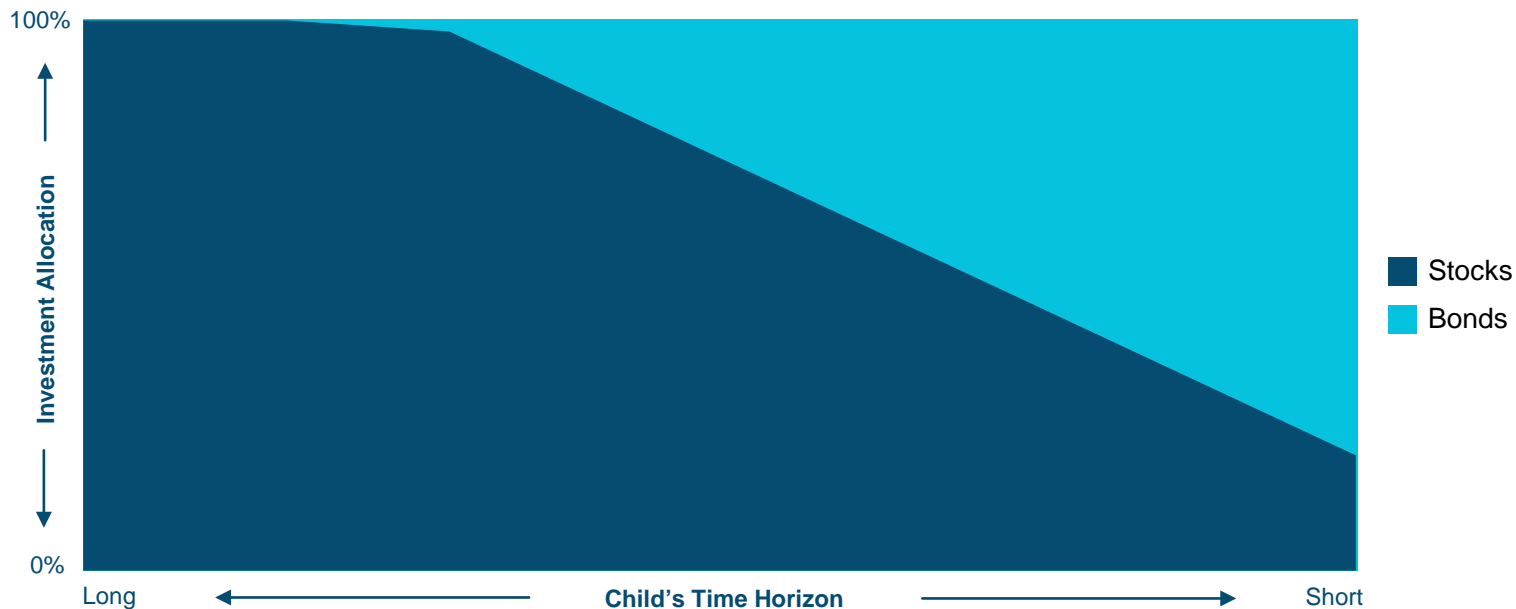
Myths and Misconceptions of 529 Plans

1. If my child doesn't go to college, I will lose the money in his/her 529 account. **FALSE**
2. If my child earns a full scholarship, the money in his/her 529 account isn't helpful. **FALSE**
3. I can only contribute to my home state's 529 plan. **FALSE**
4. My child can only go to college in the state where his/her 529 plan has been set up. **FALSE**
5. There are age limits for a 529 plan beneficiary. **FALSE**
6. If my child has a 529 account, we'll never get financial aid. **FALSE**
7. Only a parent or guardian is eligible to contribute to a child's 529 plan account. **FALSE**
8. A 529 plan can only be used for college. **FALSE**
9. My only option for a tax-advantaged way to save for education is a 529 plan. **FALSE**
10. I make too much money to contribute to a 529 plan. **FALSE**



Enrollment-Based 529 Portfolios

Investment allocations adjust automatically based on the number of years until your child is expected to enter college.

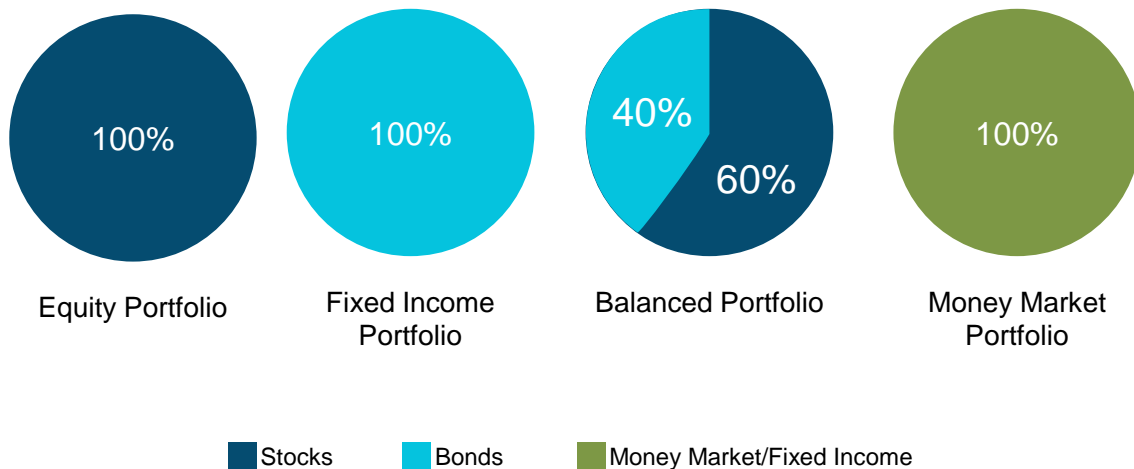


Diversification cannot assure a profit or protect against loss in a declining market.



Fixed 529 Portfolios

Investment options featuring a static mix of stocks, bonds, and/or money market mutual funds.





Discussing College Funding with Your Children

Setting realistic expectations can help avoid disappointment.

- Assess your child's college options.
- Consider the needs of all children.
- Establish an understanding of what is reasonable.



Education Saving and Investing Pointers

An effective strategy helps make a college education financially attainable for your child or loved one. You can increase the likelihood of a successful outcome by:

- Saving early and often
- Getting tax benefits by choosing the right account
- Investing appropriately for your child's time horizon
- Talking regularly about expectations



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THANK YOU



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