Coverdell ESA (Education IRA) **- This option would be appropriate for parents without ability or desire to contribute in excess of $2,000 annually. Parents considering private K-12 can save with this type of plan. It is a tax-deferred growth plan with tax-free withdrawals for qualified higher education and elementary to grade 12 expenses. Income limits do apply and AGI must be below $110K (single) and $220K (married). There is a $2,000 annual maximum and can phase out for income (AGI) between $95-$110k (single) and $190-$220k (married). This type of plan is highly flexible and investments are controlled by the account owner. It is viewed as a student asset under Federal Methodology, Student EFC is 25-35% of assets and is under institutional Methodology considered parental asset and assessed at EFC of 3-5%. Withdrawn funds are assessed as student's income (50%). Viewed as students assets and assessed at high percentage. Limits on how much can be saved annually and limits on parent's income to be eligible. Funds must be used for education expense only.**

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College Savings Planning

David White & Associates

Planning for your child's college education can be overwhelming. Without the tool of knowledge, it can feel impossible. Meeting with a financial professional is likely the best way to go, however we hope to shed some light on your options with the following information.

529 Savings Program— This plan is a good choice for parents that want to contribute substantial amount to a tax-free college fund, have a strong desire to pay for all college costs, and/or are considering high-cost private colleges. This is a tax-deferred growth plan used for tax-free withdrawals for qualified higher education expenses. Some states offer tax-deductions as well. This type of plan is open to everyone and residents in one state can open a 529 in another state in almost every case. A 529 Plan has limits between $250-$300k. The maximum annual contribution is limited by annual gift exclusion limit over a 5 year period. The plan has a limited to menu of mutual funds and may reallocate once a year or rollover to another plan. Viewed as assets of the account owner/parent. If the parent is the owner, up to 5.7% is counted towards Expected Family Contribution (EFC). The principle portion can be withdrawn with no impact. Gains portions is assessed as student's income (50%) upon withdrawal. Range of investment option can be limited. Must use all funds towards education expenses or rollover to another beneficiary to avoid penalty (10%) and taxes on the earnings portion of the account.

529 Tuition Plan— In many ways, this plan is similar to the 529 Savings Program. Parents with low risk-tolerance and interested only in keeping pace with college tuition inflation may choose this plan over the 529 Savings Program. Other differences are the plan varies by state and the list has been narrowed down in recent years. Based on age of child and average cost of in-state universities. There is no control over the investments. Allocation is set by the plan to achieve returns consistent with college expense inflation. Assets viewed as an outside resource (like scholarships). Student's financial aid needs, may be reduced dolor-for-dollar. Withdrawn funds are assessed as student's income (50%). Returns can be much lower than money invested in mutual funds. May of the benefits are lost if the child does not attend a participating college.

Taxable Brokerage Account—Parents with uncertainty about children going to college, or in cases where "need-based" financial aid is probable and college is less than 5 years away would do best with this plan. this plan has zero tax advantages, is open to everyone and has no contribution limits. It is highly flexible and investments are controlled by account owner. Viewed as parental asset in assessing financial aid eligibility. Up to 7.5% of balance is counted toward Expected Family Contribution (EFC). The withdrawn funds are not counted as student income. This plan lacks the advantages of alternative college savings plans.

Taxable Trust: UTMA/UGMA—For parents that are ineligible for aid (through accounts in the child's name) and cases where college is not a certainly. This plan should only be used in cases where "need-based" aid is not feasible. It is a plan that is subject

Subject to "kiddie tax", available for minors and has no contribution limits. It is highly flexible and investments are controlled by the "custodian". This plan can severely limit need-based financial aid since investments are considered child assets. There is a loss of control of funds one the child reaches age 18 or 21 and can severely impact eligibility for financial aid. This plan does not offer tax-deferred or tax-free withdrawals.

Cash Value Life Insurance (UL/VUL) - This option is a good choice for parents with young children and a long-term savings horizon (15-20 years), or a situation where "need-based" financial aid could be feasible and flexibility is desired. It has a tax-deferred growth and potential for tax-free withdrawals by using loans against policy cash-values. It is open to everyone and is subject to life insurance tax guidelines and MEC rules. A UL has a fixed rate and a VUL has a limited menu. Funds are sheltered from the financial aid need analysis process and therefore has no impact on financial aid. It must have proper funding (200-300% of target) to keep internal policy costs to a minimum as a percentage of cash value.