

COLLEGE FUNDING

WHAT'S NEW, WHAT'S OLD

Robert D. Kaplow, Esq.



Introduction

The Problem

- \$20,770 per year for four-year public university
- \$46,950 per year for four-year private college

Introduction

Possible Solutions

- Family Savings
- US Savings Bonds
- UGMA/UTMA Accounts
- Gifts
- Education Trusts
- Family Limited Partnerships
- Scholarships
- IRAs
- Borrowing Against Assets
- Loan Programs
- Federal Tax Credits and Deductions
- Employer-Sponsored Education Assistance
- Section 529 Programs

Approaches

- Family Savings
- US Savings Bonds
- UGMA/UTMA Accounts
- Annual Gifts
 - Annual exclusion (\$15,000 per donee)
 - §2503(e)
- Trusts – Education
 - 2503(c) Trust
 - Crummey Trust
 - HEET Trust



Approaches

- Family Limited Liability Company / Family Limited Partnership
- Scholarships
- Individual Retirement Accounts
 - Penalty Free IRA Withdrawal
 - Coverdell Education Savings Account (ESA) – Education IRAs
- Borrowing against assets
 - New: Home Equity Loan
 - Cash Surrender Value of Life Insurance
 - Qualified Retirement Plans



Approaches

- Federal Loan Programs
 - The Equation for Determining Financial Aid Is:
Cost of Attendance – Estimated Family Contribution = Financial Need
 - Strategies for Maximizing Financial Aid Eligibility
 - Avoid titling assets in the student's name
 - Spending down assets
 - Shifting assets to nonassessable assets
 - Accelerating or deferring income
 - Using flexible spending arrangements
 - Replacing income-producing assets with appreciating assets
 - Deduction for Student Loan Interest Paid

Approaches

- Federal Tax Credits and Deductions
 - American Opportunity Tax Credit
 - Lifetime Learning Tax Credit
 - Deduction for Higher Education Expenses
 - Employer-Sponsored Educational Assistance



Section 529 Plans

- Two Types of Plans
 - Prepaid Tuition Programs
 - College Savings Plans
 - **New:** Eligible Educational Institutions now include elementary or secondary public, private or religious schools
 - Qualified Higher Education Expenses (QHEE)
 - **NEW:** Elementary or secondary public, private or religious school up to \$10,000 per year
- Tax Benefits and Features
 - College Savings Plans for Retirement
 - **New:** Rollover to ABLE Account

Section 529 Plans

- Technical Requirements
 - Cash Contributions Required
 - Investment Options
 - Tax Free Rollover Distributions
 - Prohibition Against Investment Direction
 - Qualified Higher Education Expenses
 - Penalty on Non-Qualified Withdrawals
 - Maximum Account Balance Limit
 - Annual Exclusion Gifting
 - 5-Year Forwarding Election
 - Cannot Pledge the Account

Section 529 Plans

- Private College 529 Plan
- Financial Aid Issues



Divorce

