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Web Event Transcript:
Exploring Education Saving and Investing Strategies

MS. AKINS:

When we think about the children in our lives everyone can agree with the old saying that the days are long and the years are short. The saying is also applicable when we think about college savings. That freshman year will be here before you know it, and there are many things that you may want to think about now as you plan for your children's future.

I'm Christine Akins, the head of our college savings business here at T. Rowe Price, and in this episode today we'll be exploring several questions on education savings that you may want to consider. Today we'll talk about why you should save for education, how much your student might need, what accounts you should consider, and how to invest.

Joining me today is our panel of experts. We have Roger Young who is a CFP and a senior financial planner here at T. Rowe Price. Roger is also a father of three children, two of which are in college.

We also have with us Stuart Ritter, a CFP and also a senior financial planner here at T. Rowe Price. Stuart has three children in elementary and middle school.

Let's start with a very popular question, which is, as a parent why should I save for college?

MR. YOUNG:

So fundamentally it's a great question, but the main reason is it gives you a better chance of getting your child a college degree, and that's really the goal, right?

Beyond that, beyond just getting the degree it helps give you more flexibility in terms of what type of college you might be able to afford, and then down the line once the child is out of college it can reduce the amount of loans that your child has to pay or that you have to pay if you're doing parental loans, so a lot of good reasons to save.

A lot of people tend to think oh, other people will pay for a lot of my college expenses for my kids, and we just want to caution people that you shouldn't rely too much on that financial aid, and we'll talk more about that, but there's a lot of good reasons to save.

MS. AKINS:

That's really helpful. We hear from parents today that it's hard to get started, and so we know that parents have expectations for their children.

We also can assume that children may have expectations of their parents, and so, particularly as it relates to how much their parents may be able to contribute towards their college expenses, Stuart, how do you go about answering this dilemma for families?

MR. RITTER:

Well, it's like almost every other topic between parents and kids. They have different expectations. When it comes to college we did a survey, and we found out that kids are expecting their parents to pay more towards their college than the parents were thinking they were going to contribute.

And what that tells us is it's helpful for everybody to get on the same page with their kids by starting to have those conversations early. My kids are younger. We're already talking about what college is, why it's important, and we're talking about how the funding might work out, so get those conversations started, get people thinking about how it might happen and make sure those expectations are aligned.

MR. YOUNG:

And having gone through the process a couple of times now I'd just add it doesn't necessarily mean you have to have an open book with your kids on the details of your financial situation, but it is important to set some

expectations and to give them a sense it's not a blank check.

For most people it's not a blank check and there might be some constraints, and the cost absolutely will be part of the decision ultimately.

MS. AKINS:

Stuart, when is the best time to start saving for college, and what would you say to those parents who feel guilty that they haven't yet opened up an account for saving?

MR. RITTER:

That's not an uncommon question. My kids are older, I haven't started yet, what do I do. Well, of course the best time to have started was probably when they were born, but the second best time to start is right now.

The more money you have saved for your kids' college education, as Roger mentioned, the more options you have, the more flexibility, the more control. So whenever it is that you can start funding that particular goal, putting money away, maybe getting others involved in saving for it, that will make you feel more confident that you're at least doing something to help achieve what you've decided is this important priority.

MR. YOUNG:

Now, of course if you're starting late that can affect how much you need to put in, it can affect your investing strategy, but don't let that deter you. You know, it's never too late. Every dollar you save is a dollar potentially that you don't have to borrow.

MS. AKINS:

The number that parents dread facing after the SAT scores is how much should I save for my child's college education. Roger, are there some tools that you'd like

to refer to us that help us to estimate the future cost of a college education?

MR. YOUNG:

Absolutely. It's a complicated question and it varies by family and it varies by college. Let's take a few minutes to talk about typically how is college funded.

So it starts with the particular college, and that college has a sticker price or a cost, or you might hear the term cost of attendance. Then another common thing that people have heard of is the FAFSA.

Most colleges use this FAFSA, which is the federal form that you use to apply for financial aid, and the numbers that you put into that about your financial situation determines an expected family contribution, the amount that a calculation says you should be able to contribute.

Okay. If that expected family contribution is less than the total cost of the college you have what's called need, you have financial need. Now, it would be great if the colleges would just say okay, you have this much need, we're going to give you that much money and you just have to come up with your expected contribution.

Unfortunately, that's usually not the case. Usually colleges will meet a portion but not necessarily all of that need, and again it depends on your situation, so there's probably an unmet need that you have to add to your expected contribution in terms of paying for college.

The part that they do meet, that's called the financial aid package, and again it's not necessarily free money. There's hopefully a portion that will be in grants that you don't have to repay that is the free money, but typically there's going to be a loan portion as well.

So, you know, for most colleges on average about 30 percent of the money that they give for aid is in the form of loans, not grants, but again it varies a lot depending on your situation, and if you're a higher income person, you know, it could be a hundred percent of the aid package that's going to loans.

So when you factor out all of those things other than the grant piece that you may or may not get everything else is money that ultimately your family is going to be responsible for. So then the challenge for you as a family or as a parent is how am I going to meet that, is it going to be a combination of savings, income when the kids are in college and loans and what's the right mix, how does that make sense.

So once you've figured out what you're likely to have to spend ultimately then you can use other tools, so tools that can help you include expected family contribution worksheets that are online. Every college has to have what's called a net price calculator.

And I strongly recommend that you look at those, especially as you're getting closer to college, but it can give you a sense of not just what's your expected contribution but what will that college specifically chip in for you and how much of it will be grants versus loans, then you can use a tool like the T. Rowe Price college planner and that can give you a sense of how much I need to save to meet those goals.

MS. AKINS:

You know, we speak to many families every day and a frequent concern that we hear is that families feel as though they may not have enough disposable income after their household expenses are taken care of and they've saved towards other saving priorities.

So Stuart, how do you get started with saving, and what advice would you have for families who are weighing

whether or not they should save for other priorities such as retirement versus education savings?

MR. RITTER:

Well, you used the key word in the question, and that is the word priorities. What as a family is more important to you and what's less important to you.

We make those decisions all the time, do we get a bigger car or save more for the family vacation, do we do a bigger house or something else. So two of the ones that people very often have to keep in mind is their own retirement, and as we're talking about, their children's college education.

Now it's not going to surprise you, when, as a financial planner I say you should be taking care of your own retirement first. You've probably heard the analogy when you're on the airplane those oxygen masks actually drop from the overhead compartment. You put your own mask on first and then you help out your child, and the same applies when it comes to these priorities. You've got to make sure you've taken care of yourself first.

We have the goal of giving our children independence, and that's part of the reason very often we want to help send them to college. Well, from the process of doing so we haven't saved for our own retirement, and when we get to retirement we now have to rely on our kids to take care of us, that goal of independence is not met, so prioritize retirement. Take care of that first.

In many cases of your income in retirement is coming from your own savings. When it comes to college there are other options, other ways to get money to fund college. So retirement first, and then work college into all those other priorities you have. Decide how important it is and where it fits with the other things that you want to spend your money on.

Another thing I'd point out is that when you save for college ahead of time it can mean half the amount of money coming out of your pocket compared to borrowing and having to pay interest on the other end because when you save ahead of time not only do you get to spend the money you saved, but you get to spend whatever money earned -- not only do you get to spend what you save, but you get to spend whatever money was earned in that account by the time your child gets to go to college.

On the other hand, if you borrow and then have to pay interest on it you can double the amount of money that comes out of your pocket for the exact same purchase. So retirement first, prioritize college with the other things that are going on in the household, and recognize how powerful saving ahead of time for college can actually be.

MR. YOUNG:

It's not necessarily either or in terms of retirement or college. You can think of it as, you know, college compared to a lot of other priorities and spending needs.

MS. AKINS:

Roger, if a child can demonstrate need what should parents expect in relation to colleges that might be able to fill that gap, and conversely for those savings that parents might have accumulated would they have any concerns about those savings really adversely impacting their potential eligibility for financial aid.

MR. YOUNG:

So as I mentioned earlier, typically a college doesn't meet all of your need and the college is typically going to give some of that aid in the form of loans, so we'll look at a couple of statistics here to put it in perspective. Fewer than 10 percent of colleges will

meet a hundred percent of the need of the people going to that college, and that's typically your elite colleges that not all of us will get into.

Most schools on this chart you can see are meeting 60 to 80 percent of the need of their students, so that means that the family needs to come up with 20 to 40 percent in addition to their expected family contribution, so don't overestimate how much you're going to get and especially how much free money you're going to get.

Now, as to the question of will it hurt my financial aid chances then let's look at a little more detail on that expected family contribution. So I mentioned that, you know, it's going to be based on some key factors like income and the assets you have.

If you look at this chart you can see that, for example, if you have a hundred thousand dollars of income and you've saved $50,000 outside of your retirement account you might expect an expected family contribution of about $18,500, you know, with a lot of other assumptions here, but think about that. That could mean that you have a lot of need if you're talking about a private school. It could mean you have little or no need if you're looking at a state school.

Another thing you'll notice in these statistics is that it's very sensitive to the amount of income. It depends a lot on your income so going from, say, $75,000 of income to a hundred thousand dollars of income, you know, pretty much doubles what they expect you to pay, whereas going from no assets to 25 or $50,000 of assets, that has a fairly small impact on what you're expected to pay.

So yes, there is an impact of saving on your expected family contribution and what you might be paying for college, but it's not the biggest factor, and again it could

just mean that you're paying more in loan interest later, that you're getting more in loans rather than you're getting more grants.

MS. AKINS:

Many viewers, including everyone on this panel, may have more than one child that they are hoping to go to college. Stuart, how would this change their approach?

MR. RITTER:

It's the same thing you've been doing with your kids since the second or third or fourth, or stop me when I get to your number - shows up, and that's deciding how to allocate your money among all the things you want to get done and prioritizing appropriately.

Now, if you have more than one child in college at any given time that affects your financial aid calculation, so your expected family contribution will go down for each child because they recognize you're handling more than one at a time.

At the same time you need to be working that into your long-term plan, how much can you put aside for each child, how are you going to take the money that's in their particular savings accounts and invest it based on how old they are, so bearing in mind that you've got to look at it holistically as a family and then make some different decisions for each one of the children.

MS. AKINS:

For the first part of this conversation we've spent some time tackling the very tough but critical questions around why it's important to save for college and how to go about doing it.

What we'll do now is talk a little bit more specifically about what type of products are available for saving and maybe have some fun debunking some myths and misconceptions for 529 products. I'd love to hear from

the both of you what are some common techniques that parents use today in saving for college.

MR. YOUNG:

So we'll talk about three main vehicles if you will, types of ways to save for college that have been popular. The first one I'll talk about is the 529 college savings plan, and that's specifically designed for college so it has a lot of good attributes when it comes to saving for college.

The biggest one is that if you use it appropriately and spend that money on qualified expenses for education, all of the earnings that you've had in that account are tax-free, so that's a pretty big advantage for a lot of people. Now, there are some limitations to 529s, and if you use it for other things you can pay some taxes like you would ordinarily on other accounts.

You can also pay a 10 percent penalty on the earnings if it's used for other things, so you do want to be careful about how much you're putting in and that you use it properly. The second one we'll talk about is an UGMA or UTMA, and the UTMA, for example, stands for Uniform Transfers to Minors Act.

So that was something that was popular years ago as a way to get lower taxes on the earnings of your account, so you would get taxed at a child's rate for some of that money instead of the parents' rate and that could be lower. Now that we have the 529 account and that's well established those tax benefits tend to be as good or better than an UTMA, so they're probably not as common anymore.

The other thing to consider is with an UGMA or UTMA that money becomes your child's money when they get to adulthood, so they can use it for what they want. That might not necessarily be what you had in mind, college. It could be for something else. The third one that we'll talk about is taxable accounts.

So taxable accounts have a lot of flexibility. You can use it for any purpose which is good or bad, right. It's nice to be able to use it for any purpose. It's not necessarily earmarked for college. It doesn't have the same tax benefits for a lot of people that a 529 would have, so lots of pros and cons, but if the money is going to ultimately go for college there are a lot of good things about a 529 account.

MR. RITTER:

Building on what Roger just explained let's compare how a taxable account works and how a 529 college savings account works. So we all know and are familiar with a taxable account. You put money in and you invest in something and hopefully that investment grows.

Now, while the money is in the account you will pay taxes very often on some of those earnings every year, so you've got to give some money to the IRS, and then at the end when you take the money out to spend it on buying whatever it is you want to buy, whatever earnings you have in there that you haven't paid taxes on yet, well, now you have to pay taxes on that and after you've given money away in taxes you get to spend whatever's left.

When it comes to a 529 plan the government is essentially saying let's make a deal, here's the deal. You commit to saving for college and you demonstrate your commitment by putting the money in a 529 plan.

Now, it's called a 529 plan because that's the part of the IRS code that talks about the tax benefits. So you put your money in the 529 plan, and then when you invest it and you get earnings you don't have to pay any taxes while the money is in the account. All of that money stays in the account so it can continue to potentially grow.

And then at the end when you take the money out, if you spend it on qualified educational expenses you don't pay taxes on those earnings at that point either, which means since you're not paying any money in taxes all other things being equal you get to spend the entire balance and it's more money for you to spend on the goal of college education.

MS. AKINS:

Stuart, we have many clients who are considering using a Roth IRA to fund their children's education savings. What recommendation would you have for those individuals that are considering that approach?

MR. RITTER:

It's important to use the right tool for the job, and a 529 plan is a tool that's designed for college savings. A Roth IRA is designed for retirement savings.

Now, of course you always have the option of using a tool for something else, but there are often consequences with doing that. For example, if you use money that's in a 529 plan for nonqualified educational expenses when you take the earnings those earnings are going to be taxed and potentially there's a 10 percent penalty on top of that.

Now, you can take contributions from a Roth IRA out of the account without any taxes or penalties, but now you've lowered the amount of money you've saved for retirement and that will affect what you're able to spend when you get to that point. So, again, keep retirement as a priority and use the right tool for the job when it comes to saving for college and saving for retirement.

MR. YOUNG:

Another factor to consider with that is financial aid. If you might get financial aid you have to think about how the different accounts are treated.

A Roth IRA or any type of retirement account isn't counted as your assets, but when you take money out of it for college it is considered income, and like we talked about earlier the income is a much bigger factor in your financial aid than your assets are, so you want to be very careful about that approach if you might get some financial aid.

MS. AKINS:

Stuart, are there any special educational saving or investment contribution considerations for those high income earners?

MR. RITTER:

Absolutely. As I've mentioned the advantage of a 529 plan is you're not paying taxes on the earnings while the money is in the account, and you don't pay taxes on it when you take it out and use it for qualified educational expenses.

So if you're a high income earner or a high income household generally that means you're paying more in taxes, so the advantage of a 529 of avoiding paying those taxes goes up the higher your income is and the more you're paying in taxes.

MS. AKINS:

Roger, are there any maximum contribution limits when somebody wants to contribute to their 529 plan account?

MR. YOUNG:

So there are a couple of things to consider. One is a gift to a 529 plan is considered a gift, and so for most people you want to stay out of the world of gift tax returns, so for most people what that means is you'll

limit yourself to $15,000, you know, per parent, per beneficiary or per child into their accounts in a year to stay away from that.

So if you have two parents and three kids that's 6 and times $15,000 you could potentially put in $90,000 without any gift tax issue, so for most people that $15,000 limit is not a big problem.

Now, for people who are in the higher income world that we were talking about a minute ago who can afford to put in a lot of money into a 529 plan you do have the option of using 5 years' worth of that annual exclusion amount in a single year, so that's 5 times the 15,000. You could put $75,000 into an account and your spouse could also put another $75,000 into the account for each child. So again that's a technique for people who are in a pretty high income bracket, but it is something to be considered and then you wouldn't put the money in for the next four years, but you can do it all at once.

One other consideration is all of these plans do have a limit on what you ultimately can put into the plan, but that's again typically not a big consideration for most people. It's up around, say, $300,000 or so. Most people aren't going to get to that level, but yes, there are some limits. For most people it's not a big deal.

MS. AKINS:

Even though 529 accounts have been around for a long time we often find clients are still confused by the many important aspects of the product itself, so let's address this by examining some common myths and misconceptions.

So myth number one, if my child doesn't go to college I will lose the money in his or her 529 account. Roger.

MR. YOUNG:

So that is false. It is a myth. The account is your account. You are the owner of the account. Your child is the beneficiary of the account, so no matter what you use it for it's your money.

Now, as we mentioned earlier there can be taxes and penalties if it's not used for education, but it's your money so if it's not used for education it's very easy to switch the beneficiary, to give it to another child or a different relative.

You can switch it to yourself, use it for your own continuing education or you can use it for other purposes and pay the penalty, so it is your money and you shouldn't worry about forfeiting it. It's not like some savings accounts that you hear about for health purposes where it's use it or lose it. It's not like that at all.

MS. AKINS:

If my child earns a full scholarship, Stuart, which I hope that he does, the money in his or her 529 account isn't helpful.

MR. RITTER:

That's false. Scholarships, even if they cover all of tuition and fees, tuition and fees are only about half of the total cost of college, and that's something a lot of people don't realize. The other half is where your child lives and what they eat and associated expenses, and that can be used very often as qualified educational expenses for a 529 plan.

So the money you've saved in the account, even if your child gets a full scholarship that covers all of tuition for all four years you still have a pretty sizeable expense to cover and the money can be used for that, and then even if that's covered the 529 plan money can give you advantages for other things like other kids, your own

education, and all the things that Roger just talked about.

MR. YOUNG:

It's also nice to know if you use that money up to the amount of the scholarship you don't pay the penalty on that, so you might pay taxes on the earnings but the penalty doesn't apply if you get a scholarship, so that's another nice benefit.

MS. AKINS:

Roger, I can only contribute to my home state's 529 plan.

MR. YOUNG:

That, again, is false. There are a lot of plans out there. Virtually every state has a plan, and so you have the flexibility to choose the plan that's right for you.

A number of things to consider include the investment options in the different plans, the fees, the reputation for customer service and do you like the website and other aspects of it, and then finally a big thing to think about is does your state offer a tax benefit in that state for staying in your state plan.

So that would certainly be a reason to give extra weight to your own state's plan, but no, you can contribute to any of those plans, multiple plans, and it doesn't affect where your kid has to go to college.

MS. AKINS:

And building on that answer, Roger -- Stuart, we'd love to hear from you. I can only send my child to college in the home state where I have my 529.

MR. RITTER:

That one is false as well. A lot of people think if I'm using my state's -- that one is false as well. A lot of

people think if I'm using my state's 529 plan that only can be used in that -- I'll get it. That one is also false.

A lot of people believe if I'm using my state's 529 plan then the money can only be used for colleges in my state, and the reality is the money in a 529 plan can be used for any qualified educational expense, and that's got a pretty broad definition.

First of all, any school that has a financial aid code from the Department of Education can qualify, so that includes not just four-year schools but community colleges and vo tech schools and even some international schools, so any school across the country you can use that money for the expenses associated with that.

In addition, now you can use the 529 plan money for K through 12 tuition, so that counts now as a qualified educational expense, so you've got a broad definition to work for. You are not limited to using the money only for schools in your state.

MS. AKINS:

Great. Roger, there are age limits for my 529 plan beneficiary.

MR. YOUNG:

That is again false. Now, this one has some basis in reality in that the Coverdell Education Savings Account which is another way that, you know, used to be used more, that did have age limits, but the 529 plan does not have age limits.

So one nice thing about that is you can continue to contribute while your kids are even in college, and if your state offers a tax benefit you might get that benefit for a few more years.

MR. RITTER:

In addition, and I kind of made a joke earlier about starting to save when the kid is born. You can actually start before that. You can open up a 529 plan with yourself as a beneficiary because there is no age limit, and then you can change the beneficiary to your child if that's the way you want to do it.

MS. AKINS:

Stuart, if I have a 529 account my child will never get financial aid.

MR. RITTER:

I hear that one a lot, too. People somehow believe that a 529 plan is somehow treated differently in the financial aid calculation. That's false. A 529 plan is a parental asset just like any other parental asset that goes into the financial aid calculation.

So money you have in a taxable account is no different than the money you have in a 529 plan, so there is nothing especially negative about saving in the 529 plan. You get the tax benefits using it.

MS. AKINS:

Let's talk about who can save in a 529 plan. Roger, is it true that only a parent or guardian is eligible to contribute to a child's 529 plan?

MR. YOUNG:

That is definitely not true. It's a nice thing to be able to contribute to someone else's education, and what we hear a lot of times is grandparents want to help for their grandkids to go to college, and they can do that by contributing to a plan that's set up by their kids for their grandkids. It's not hard to do.

A lot of plans now have what are called gifting portals which make it easy for someone to give a gift directly into the 529 account. You know, a grandparent for financial aid purposes probably wants to do it through

the account set up by their kids as opposed to starting their own, but there are a lot of options.

You can even have people outside the family do it. You can make that an option for the birthday party gifts, and again the gifting portal makes that easy.

MS. AKINS:

Stuart, a 529 plan can only be used for college.

MR. RITTER:

Again, false. As I mentioned 529 plans can now be used for K through 12 tuition in addition to the expenses we normally associate with college of college tuition, fees, room, board, books, things like that.

MR. YOUNG:

And again, it's your money. Even if it's not used for college it's still your money. You can still use it. You might pay taxes and a penalty, but it's your money.

MR. RITTER:

Yep.

MS. AKINS:

My only option for a tax advantaged way to save for college is a 529 plan.

MR. YOUNG:

So while we are big proponents of 529 plans for a lot of people, we told, you know, earlier about three different ways that have different tax benefits.

And so again the 529 has great benefits, and UGMA or UTMA can make sense if you want more flexibility to use that money for other purposes than college education, and again a taxable account is very flexible.

If you're at the lower end of the income scale you might not pay taxes on the earnings in that account, but it

depends very much on your situation, and for a lot of people the 529 works very well for college expenses.

MS. AKINS:

Stuart, I make too much money to contribute to a 529 plan.

MR. RITTER:

Fortunately that one is false as well because that means that no matter how much you make you can contribute to a 529 plan. There is no income limit. No matter how much you make you can open up a 529 plan and make a contribution.

MS. AKINS:

Roger, if my child doesn't go to college I will lose his or her money in their 529 account.

MR. YOUNG:

That is definitely false. The 529 account is your account. You're the owner. The child typically is the beneficiary of that account, so it's your money. You can use it as you wish. Now, if you use it for something other than college you would pay taxes on the earnings and potentially a 10 percent penalty on that, but again it's your money. Another thing to consider is it's very easy to change the beneficiary on a 529 account, so you can switch that money to a different child, you could switch it to a different relative.

You could even make it your own account and use it for your own continuing education, so there's a fair amount of flexibility and you do not lose the money.

MS. AKINS:

Excellent. Well, I hope we've been able to clarify a few assumptions that you might have had around 529 myths and misconceptions.

So after a parent decides which account is best suited for them the next logical question is what type of investment strategy makes sense. I'd love to hear from you both. How do you help parents with this question?

MR. RITTER:

When it comes to investing for any financial goal the fundamental question is how long is it going to be before you are going to use the money because that time horizon helps you determine how much money goes in stocks and how much money goes in bonds and cash.

And if you have a long time horizon, say over 15 years, say 18 years, then all of the money can be invested in stocks, and then as your child gets older and you get closer to using the money you're going to want to shift from stocks into bonds.

You're also going to want to own lots of different kinds of stocks and lots of different kinds of bonds, and that's called diversification. Now, fortunately inside of 529 plans most of the plans make it very easy for you. They put together something called an enrollment-based portfolio, and that's a portfolio of stocks and ultimately bonds that's designed for the year your child goes to college.

So it can start all in stocks and automatically moves out of stocks and into bonds as that time horizon shrinks, and as you get closer to using the money for your child's college education. It will also rebalance to that diversification target, so most of the investing is taken care of for you in the enrollment-based portfolio.

Now, if you decide you want to put the portfolios together yourself most 529 plans will also have fixed portfolios. Those are portfolios that are either all stocks or all bonds or some mix that doesn't change over time.

They'll rebalance to the diversification targets, but you won't see the shift over time, and that makes it very easy for you as a parent to decide well, I'm going to use an enrollment based portfolio, the investing is taken care of, they'll keep it on track for me, or I want to be more hands on, I'm going to put together my own portfolio by using the fixed ones that are available to me.

Now, if you do that it's important to bear in mind that you can make two changes every year moving from one portfolio to another portfolio.

MR. YOUNG:

And just to clarify those two, you know, investment strategy changes you're allowed, that doesn't include putting more money into the account which you can use to kind of rebalance, or taking money out of the account. That doesn't count, and if someone else is doing it for you like in the age-based or enrollment-based portfolio the changes they make don't count towards those two, so I don't find a lot of people who are overly concerned about that two per year limit. You know, I'm a finance guy. That hasn't really bothered me in terms of dealing with my own 529 accounts.

MS. AKINS:

You know, we've talked a lot today around the financial readiness of going to college, but what we haven't talked about is the emotional side related to that same question. And so, Stuart, what do you suggest in terms of reconciling that and having that discussion with your children?

MR. RITTER:

It's approaching this decision holistically. It's not just where is the money coming from and who is contributing to it, but also the conversations you're having with your kids about college and which colleges are on your potential list and what the value is and how

much money is available and any other children you might have coming up behind them.

So make sure that you're incorporating all of that into the package of the college decision and the conversations you're having so that everybody is generally on the same page when it comes to expectations.

MS. AKINS:

And finally for our last question in today's conversation I'd love to hear from both of our experts. Can you paint a picture of what a good education savings and investing strategy would look like and what should it address?

MR. YOUNG:

So to me the picture is really what it takes to get your child a college degree and so, you know, a lot of people are concerned about I can't afford to put in, you know, the amount that a college planner says that I should be putting in.

So let's start with a very modest goal of what does it take to get a degree, so that could be two years of community college plus two years commuting to an in-state school, and what combination of my savings and borrowing can get us there.

Then over time as you learn more about your child's abilities and desires and interests, and your own financial picture gets clearer and hopefully you get a little more capacity to save then you can bump up those goals, but starting with a plan to get an education and a degree is really the picture I want to have people have in their minds.

MR. RITTER:

Yeah, and I would answer your question by saying it's actually fairly easy to paint by numbers. Number one,

decide how much you're going to save for college. Number two, get the tax advantages like the kind that are available in a 529 plan, and number three, get the appropriate investment strategy together like the ones that are in an enrollment-based portfolio.

Do those three things and you've got a plan in place that can make you feel confident that you'll be able to help your kids out when they get to college.

MS. AKINS:

Thank you both, Stuart and Roger. You've been incredibly informative, and I think you've taken a topic that typically has a lot of parents very anxious and you've been able to deliver some very actionable insights and advice. Thank you.

MR. RITTER:

Thanks for having me.

MR. YOUNG:

It's been my pleasure.

MS. AKINS:

Thank you for joining us today, viewers. We hope you've found this conversation to be helpful as you think about your education savings strategy. Please feel free to visit us at troweprice.com/college for further information.

We also have very helpful resources available to you as you can see through some of the links available to you on this screen, and if you need to talk to somebody we welcome your call at the phone number listed on the presentation screen.

Also we'd love you to respond to our survey. We'd love to hear from you on if there's anything we should do different, if there's anything you'd like us to talk about in future topics, and if there's anything that you'd like

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us to continue doing. Thank you for your time and your confidence in T. Rowe Price.

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