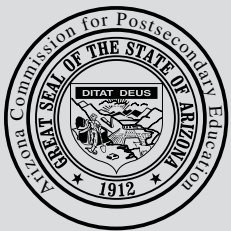




**envisioning**  
**your child's**  
**college goal**



**College Savings Planner**  
For parents and grandparents

Presented by the Arizona Commission for Postsecondary Education



Janice K. Brewer  
Governor

# Office of the Governor

**\* COLLEGE SAVINGS MONTH \***

**WHEREAS**, State of Arizona families recognize that a college education is one of the most important investments we can make for our children to prepare them for success in life; and

**WHEREAS**, the constant rising cost of a college education continues to outpace inflation and, without proper planning, those costs can jeopardize a family's ability to ensure their children have access to higher education; and

**WHEREAS**, college is an investment that will pay off given that the earnings gap between those with a high school diploma and those with a bachelor's degree or beyond exceeds \$1 million over a lifetime; and

**WHEREAS**, over the past decade, education loan volume increased by more than 250 percent to over \$85 billion, and at the end of the period, loans constituted approximately 70% percent of federal financial aid funding; and

**WHEREAS**, almost two-thirds of college students graduate with debt, and many college graduates repay large amounts of debt long after they have completed their education; and

**WHEREAS**, it is in the best interest of the State of Arizona families to encourage saving for higher education expenses so that access to educational opportunities is enhanced for our children, grandchildren, and others, without the crushing burden of education loan debt; and

**WHEREAS**, in accordance with state and federal law, the State of Arizona operates the Arizona Family College Savings Program, Arizona's Section 529 college savings plan that offers both state and federal tax advantages as well as tax deduction for contribution to encourage saving for the expense of higher education and to promote educational opportunity for all children; and

**WHEREAS**, in less than ten years of operation, Arizona families have opened over 55,000 accounts and have accumulated over \$500 million in assets in Arizona Family College Savings program.

**NOW, THEREFORE, I, Janice K. Brewer, Governor of the State of Arizona, do hereby proclaim the month of September 2010 as**

**\* COLLEGE SAVINGS MONTH \***

**IN WITNESS WHEREOF**, I have hereunto set my hand and caused to be affixed the Great Seal of the State of Arizona

*Janice K. Brewer*  
GOVERNOR

**DONE** at the Capitol in Phoenix on this twenty-ninth day of July in the year Two Thousand and Ten, and of the Independence of the United States of America the Two Hundred and Thirty-fifth.

**ATTEST:**

*Ken Blumett*



Secretary of State



Going to college and obtaining a college degree is an American dream. In 2006-2008, 27%\* of adults age 25 years or older had attained at least a bachelor's degree. This statistic would undoubtedly be higher if more potential college students had access to funds needed to cover college expenses.

Lack of funds, steady overlapping college and general inflation, burden of a bank loan are primary reasons why most would-be college students do not pursue their college dreams. This College Savings Planner has been developed by the Arizona Commission for Postsecondary Education in order to help parents, grandparents, caregivers, and students themselves begin the college preparation process. By providing the opportunity to save, children and adults can have an increased likelihood to attend college and make their college goal ... a reality.



## oceanographer

### Getting the Facts

If you are one of the 61%\*\* of parents who believe that their children should go to college after high school, a grandparent wishing to invest in the higher education of generation next, or one of 67%\*\* American adults who think that college education is worth its price, you may find this College Savings Planner helpful. It will review:

- average college costs
- various types of financial aid available
- when college savings should begin and how much to save
- options families have to save
- savings options through the Arizona Family College Savings Program

\* Source: American Community Survey, 2006-2008

\*\* Source: The National Center for Public Policy and Higher Education, 2007

\*\*\* Source: The Institute for Higher Education Policy, 2010

**By 2011,** an  
**increased** need in  
occupational **“upskilling”**  
will translate into an extra  
**20 million jobs**  
requiring a  
**bachelor’s degree**  
**or higher. \*\*\***



**news anchor**

**Among all 2007-2008**

**bachelor's degree recipients,**

**only 34% graduated**

**with **no** education debt.\***

## Parents

Whether your child aspires to be a scientist, lawyer, chef or politician, the Arizona Commission for Postsecondary Education wants to find a way to help make their dreams come true and to provide an opportunity to lighten the financial burden of acquisition of higher education. As parents, preparing early for college and familiarizing yourselves with the options of financial aid and college savings will position you to make college a reality for your child.

## Grandparents

Grandparents want to share their valuable experience with their grandchildren by presenting them with a precious gift of knowledge and learning. Often grandparents are in a place in life to plan for their grandchild's education. Gift tax benefits and annual tax deductions make a college savings plan a good choice.

## Adults

For working adults going back to college a 529 account can be opened in your name to help you prepare financially.

**Arizona taxpayers  
are granted an  
income tax  
deduction for annual  
contributions to a  
college savings plan.\*\***

\* Source: College Board, 2009

\*\* Source: Arizona Department of Revenue, 2010



**nurse**



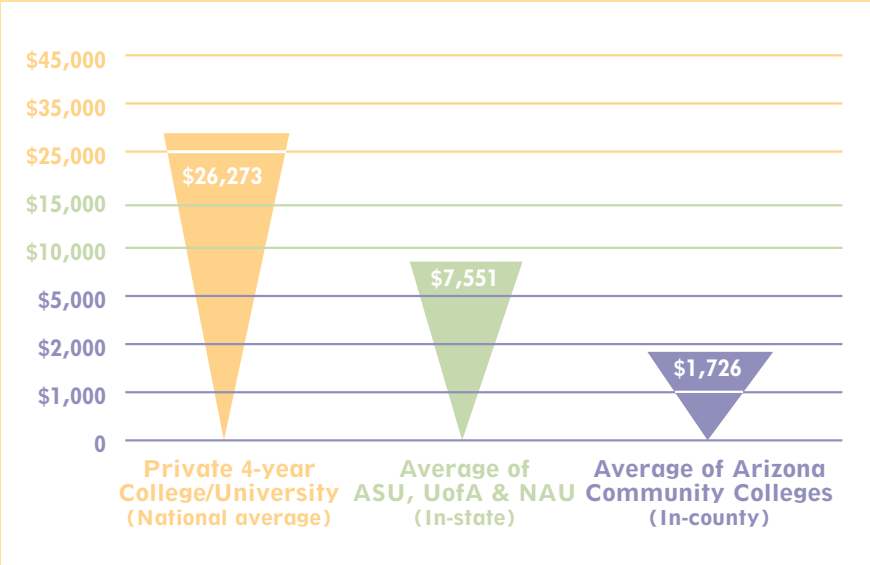
**In 2008, median family income for those with a bachelor's degree or more was \$101,099, compared to \$49,414 for those with a high school diploma.\***

### The Costs

Over the past 20 years, college costs have risen more than twice the rate of inflation. For many parents, funding their child's college education will be one of the largest and most significant expenses.

Therefore, saving money for your child's college education requires foresight and planning. However, before any such planning can be started, a savings goal should be established. Exactly how much will it cost to send your child to college? Through research, you will be able to estimate the amount of money needed to send your child to a private university, a public institution, a community college or vocational training center. You may choose to set aside a fixed dollar amount of your income and select an investment plan. Define what your goals are and determine the best path to reach them.

**Tuition annual costs for Arizona postsecondary institutions\*\***



\*Source: College Board, 2010  
 \*\*Source: College Board, 2010

## Savings Plan Worksheet

By completing this worksheet, you will develop an estimate of the amount of money needed to meet one child's college-going expenses. Most importantly, save whatever you can afford and begin saving early.

### IDENTIFY COSTS

	EXAMPLE	YOUR ESTIMATE
1. Current annual college costs (From table 1) (Example assumes public in-state.)	\$15,213	_____
2. Number of years until college	5	_____
3. Future annual college costs (Multiply line 1 by factor in table 2) (Example assumes 8% annual inflation rate.)	\$22,363.11	_____
4. Number of years for college attendance	4	_____
5. Projected cost of college at year one (Multiply line 3 by line 4) (Note: projection does not allow for inflation rate for subsequent years of college attendance)	\$89,452.44	_____

### IDENTIFY SAVINGS NEEDS

6. Total cost of college (From line 5)	\$89,452.44	_____
7. Current college savings (if any)	\$10,000	_____
8. Value of current investments when college starts (Multiply line 7 by factor in table 3)	\$14,000	_____
9. <b>Shortfall</b> (Subtract line 8 from line 6)	\$75,452.44	_____
10. Estimated investment of a one time lump sum (Multiply line 9 by factor in table 4)	\$53,571.23	_____
11. Estimated investment needed on monthly basis (Multiply line 9 by factor in table 5)	\$1,056.33	_____

Table 1: Average College Attendance Costs*	Tuition	Room and Board	Annual Total Projection
Private College/University	\$26,273	\$9,363	\$35,636
Public University (In-State)	\$7,020	\$8,193	\$15,213
Community College (In-State)	\$2,544	N/A	N/A

\*Source: College Board, 2010



**zoologist**

**Currently families have opened more than 55,000 accounts and have invested \$517 million in the Arizona 529 Plan.\***

**Table 2: Rising Cost Index**

Years Until College	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
8% Inflation Rate - Multiply By:	1.08	1.17	1.26	1.36	1.47	1.59	1.71	1.85	2.00	2.16	2.33	2.52	2.72	2.94	3.17	3.43	3.70	4.00

**Table 3: Growth Index (Assumes 7% Annual Rate of Return)**

Years Investing	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Multiply By:	1.07	1.14	1.23	1.31	1.40	1.50	1.61	1.72	1.84	1.97	2.10	2.25	2.41	2.58	2.76	2.95	3.16	3.38

**Table 4 & 5: Necessary Investment Index**

Years Until College	Table 4 Contribution - Lump Sum	Table 5 Contribution - Monthly	Years Until College	Table 4 Contribution - Lump Sum	Table 5 Contribution - Monthly
1	0.93	0.0803	10	0.51	0.0058
2	0.87	0.0388	11	0.48	0.0051
3	0.82	0.0250	12	0.44	0.0045
4	0.76	0.0181	13	0.41	0.0040
5	0.71	0.0140	14	0.39	0.0036
6	0.67	0.0112	15	0.36	0.0032
7	0.62	0.0093	16	0.34	0.0029
8	0.58	0.0078	17	0.32	0.0026
9	0.54	0.0067	18	0.30	0.0024

\*Source: AFCSP Annual Report 2009

# Types of Financial Aid

Four types of financial aid programs make up the majority of financial aid. These programs are made available and funded by the federal government, the State of Arizona, and various private organizations. These four groups include:

- Grants
- Loans
- Scholarships
- Work Study

### Need Based vs. Merit Based

Need based is defined as financial aid programs that are awarded based on the financial situation of the student and/or their family. Merit based is defined as financial aid awards that are given in response to met criteria. Academic scholarships and athletic scholarships are examples of merit awards.

Types of Financial Aid	Need Based	Merit Based
Grants	X	
Loans	X	
Scholarships	X	X
Work Study	X	

### Federal Grants

Grants are forms of financial aid that do not need to be repaid. Grants are typically provided to students from limited-income families and are need based in nature. There are several types of grants available to eligible students including:

#### Pell Grant

This federally funded program provides assistance for educational expenses based on need, academic load, length of enrollment and the costs of the education. Awards typically range from \$400-\$4,050 a year.

**Supplemental Educational Opportunity Grant (SEOG)**  
This federally funded program is granted to students who demonstrate exceptional need and are also eligible for Pell Grants.

### Loans

Loans are federally or privately funded sources of assistance that must be repaid with interest at the conclusion of a student's college attendance.

#### Federal Stafford Student Loan

Students may qualify for a "subsidized" Federal Student Loan based on their identified financial need or an "unsubsidized" Federal Stafford Loan, which does not take into consideration their own or their family's household income levels.

#### Federal PLUS Loan

These loans are available to parents who want to borrow monies to help pay for their child's education. These loans have variable interest rates.

### Scholarships

Scholarships are granted to students and are often based on performance in a particular area such as academics or sports. There are several websites which list the thousands of various types of scholarships available. Visit the Arizona Commission for Postsecondary Education website listed below for more information.

### Work Study

#### Federal Work Study (FWS)

This need based program provides jobs for students who have applied for financial aid and are eligible to work as part of their financial aid award package. Students participating in this program may work on or off campus and the money earned is paid directly to the student to cover various types of expenses.

**Visit the Arizona Commission for Postsecondary Education website for complete details-[www.azhighered.gov](http://www.azhighered.gov)**



## Start Early - Save Regularly

The majority of college students do not receive sufficient grant or scholarship money to cover all of their college expenses. Most of these students must obtain loans in order to complete their educational goals.

It is important to start saving early. A child's educational expenses may be reduced by the

growth of compounding income held in an account over a long period of time.

There are many vehicles that may be used for college savings purposes. Below is a snapshot of the various savings options available to parents and grandparents.

### Savings Options Available\*

	AZ Family College Savings Program (Arizona's 529 plan)	Coverdell Educational Savings Accounts	Qualifying US Savings Bonds	UGMA/UTMA	Mutual Funds
Federal Tax Benefits	Non-deductible contributions; federal and Arizona income tax-free when used for qualified higher education expenses; Arizona income tax deduction up to \$750 (single) or \$1,500 (joint) for contributions through 12/31/12	Non-deductible contributions; federal income tax-free when used for qualified higher education expenses or qualified K-12 expenses	Tax-deferred for federal; tax-free for state; certain post-1989 EE and I bonds may be redeemed federal tax-free to pay for qualified higher education expenses for the bond's owner, the owner's spouse, or a dependent for whom the owner claims an exemption	Earnings and gains taxed to minor; parents can elect to report earnings and gains for children under 19 and children under 24 who are full-time students; first \$950 of unearned income is tax exempt; second \$950 is taxed at child's rate; anything over \$1,900 is taxed at higher of child's or parent's rate	Earnings and gains taxed in year realized at owner's rate; special lower tax rates for certain dividends and capital gains
Federal Gift Tax Treatment	Contributions treated as completed gifts; use \$13,000 annual exclusion, or up to \$65,000 with 5-year election	Contributions treated as completed gifts; use \$13,000 annual exclusion	No gift involved if used for direct payment of tuition	Transfers treated as completed gift; use \$13,000 annual gift exclusion	No gift involved if used for direct payment of tuition
Federal Estate Tax Treatment	Value removed from donor's gross estate; partial inclusion for death during a 5-year election period	Value removed from donor's gross estate	Value included in bondholder's gross estate	Value removed from donor's gross estate unless donor remains as custodian	Value included in the owner's gross estate
Maximum Investment	\$340,000 per beneficiary (until October 2010)	\$2,000 per beneficiary per year combined from all sources	One person may purchase \$10,000 face value per year (\$5,000 in Treasury Direct and \$5,000 in paper bonds), per type of bond	No limit	No limit
Qualified Expenses	Tuition, fees, room and board, books, supplies, equipment, and special needs (computers for 2009-2010 school year)	Same as 529 plan plus additional categories of K-12 expenses	Tuition and fees; bond proceeds may also be contributed to 529 plans and Coverdell accounts	No restrictions	Tuition
Income Restrictions	None	Ability to contribute phases out for incomes between \$95,000 and \$110,000 (single) \$190,000 and \$220,000 (joint)	None; however, some or all of earned interest is only excludable for incomes below \$84,950 (single) and \$104,900 (joint filers)	None	None
Federal Financial Aid	Counted as asset of parent or other account owner; not counted as a student asset	Counted as asset of parent or other account owner; not counted as a student asset	Counted as asset of bondholder	Counted as student's asset	Counted as asset of the owner
Use for Non-Qualifying Expenses	Withdrawn earnings subject to federal income tax and 10% penalty	Withdrawn earnings subject to federal income tax and 10% penalty	No penalty; interest on redeemed bonds included in federal income	Funds must be used for benefit of the minor	Money can be withdrawn at any time for any reason

\*Please consult a financial professional for more information before investing.

\*Source: based upon the information provided by [www.savingforcollege.com/compare\\_savings\\_options/](http://www.savingforcollege.com/compare_savings_options/). Revised for Arizona specifics.

## The Arizona 529 Savings Plan

A 529 Plan is similar to a 401k or an IRA. The plan is designed to provide a parent, grandparent or other caregiver an opportunity to save for a child's educational pursuits within a tax-deferred savings vehicle.\*

The State of Arizona offers one of the most diversified 529 plans in the country. Arizona's 529 Savings Plan benefits include:

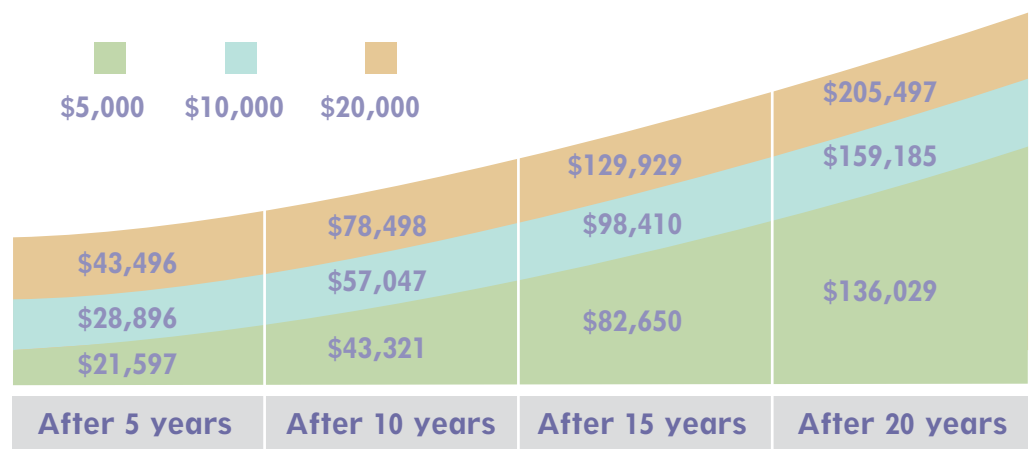
- qualified distributions that are exempt from federal income tax
- qualified distributions that are exempt from Arizona income tax for Arizona taxpayers
- college savings offered through multiple providers that include choices of CD's, mutual fund options, and age-based portfolios
- contributions to accounts that grow on a tax-deferred basis
- assets that are not considered when determining Arizona financial aid awards
- savings that can be used at most accredited universities, colleges, private colleges and training schools in the United States, as well as eligible foreign institutions
- the allowance for anyone to make contributions
- the ability to begin saving with as little as \$20 a month
- the option to change account beneficiaries at any time



## The Power of Tax-Deferred Compounding

**Initial Investment with a \$200 monthly contribution**

**Hypothetical Example - using 8% rate of return**



The rate of return in graph is not guaranteed and is provided for illustrative purposes only.

\*Pursuant to Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA") qualified distributions are federal income tax free. The provisions of EGTRRA will expire on December 31, 2010. Unless the law is extended by Congress and the President, the federal tax treatment of 529 plans will revert to its status prior to January 1, 2002.



actor

“I want **my kids** to be able to **choose where** they want **to go**, what suits them... I want them to **have choices.**”

Adrienne Honig, 529 investor,  
mother of two preschool children

## One Great Plan, Three Simple Choices

### The Arizona 529 Savings Plan

The Arizona Family College Savings Program offers a wide variety of choices through three financial institutions. Choices include CD's, advisor-sold mutual fund options, direct-sold mutual fund options, passively and actively managed accounts, age-based portfolios, and self-designed custom strategies. Choices are offered so that your investment goals can be targeted for the timeline that best fits your needs.



**College Savings Bank** provides the CollegeSure® CD, a certificate of deposit indexed to college costs; the Investor Sure CD, an equity indexed CD; and a fixed rate CD. Each account holder's principal is insured by the FDIC.

[www.collegesavings.com/arizona](http://www.collegesavings.com/arizona) Toll Free: 1.800.888.2723

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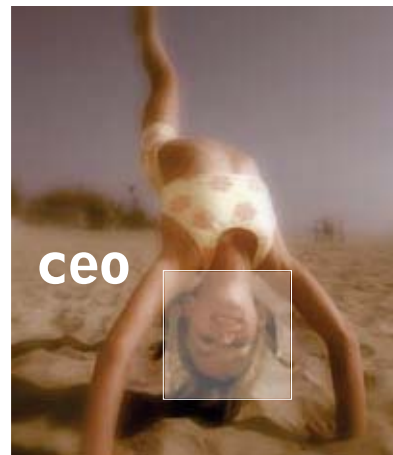
**InvestEd** provides personal comprehensive financial planning and choices of investment products including age-based, static, and individual fund portfolios through financial advisors across the country.

[www.invested529.com](http://www.invested529.com) Toll Free: 1.800.923.3355

### Tips For Success

Help your child make their journey to college successful and affordable by following these tips provided by the Arizona Commission for Postsecondary Education:

- Make college the expectation, talk about it early and often
- Start saving early with a 529 college savings plan and involve your child
- Help your child build their volunteer resume
- Take your child to visit your friends' workplaces to provide firsthand experience about varied careers
- Apply to college early
- Explore tuition reduction options
- Encourage your child to declare their major sooner rather than later to avoid taking unnecessary classes and incurring excessive expenses
- Fill out the Free Application for Federal Student Aid (FAFSA) as a first step in the financial aid process and access to many scholarships



The Arizona Commission for Postsecondary Education (ACPE) is a state agency that assists Arizona students and their families with the information needed for postsecondary education. In addition to the development of the College Savings Planner, the ACPE also:

- Administers Arizona student financial aid programs
- Hosts the College Goal Sunday annual event which assists college bound high school seniors and returning adult students in completing financial aid forms
- Administers the Arizona Family College Savings Program (529 Plan)
- Publishes college preparation publications including the *Arizona College and Career Guide*
- Serves as a forum for private and public postsecondary education to dialogue and collaborate on solutions and opportunities to better assist students

...expanding access and increasing success in postsecondary education

[www.azhighered.gov](http://www.azhighered.gov)



Arizona Commission for Postsecondary Education

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