



PLANNING FOR OUR FUTURE

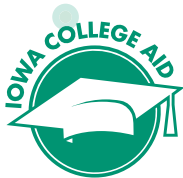
Financial Planning for Your
Child's Postsecondary Education

INTRODUCTION



Saving and investing for your child's education and teaching him or her good spending habits are some of the best investment decisions you will ever make. College might seem a long way off for your son or daughter, but it is really just around the corner. Remember, the earlier you start building a college fund, the better prepared you will be to provide the best possible educational opportunities

for your child. No matter how old your child is now, it's never too late to begin saving for his or her college expenses. Higher education is available to everyone, but it is your responsibility to help pay for that education. You and your child will have many decisions to make during the coming years. This guide provides information you should consider when planning for your child's future.



Iowa College Student Aid Commission
IowaCollegeAid.gov



College Savings Iowa
CollegeSavingsIowa.com



The Iowa Insurance Division
iid.iowa.gov

PREPARING YOUR STUDENT



PREPARING IN GRADE SCHOOL

It might seem early, but you can start preparing for your student's college education as early as grade school with these easy tips:

Open a Savings Account for Your Child

Many banks offer child-friendly bank accounts into which your child can regularly deposit a percentage of any money received or earned.

Make Finance Fun

Thanks to technology, you can introduce your child to financial topics in a fun and exciting way. Free online tools make a game of tracking the stock prices of your child's favorite companies and introduce other concepts of financial literacy.

Take an Interest

Talk to your child about what he or she is learning in school and continue those activities at home. Celebrate every accomplishment by providing specific positive feedback.

Speak Regularly with Teachers

Don't wait for parent/teacher conferences. Keep up with your child's progress by communicating with teachers throughout the year.

Set Internet Safety Rules

While the internet can be a great learning resource, it's important to stay involved in what your child accesses. Develop rules for using the web, such as not providing personal information online, and explain why it is important to follow them.

Start a Savings and Investing Program

It is never too early to start saving and investing for college. Find saving and investing tips to help your student's future on page 7 of this guide.



PREPARING IN MIDDLE SCHOOL

Taking the time to think about high school and college during middle school will help families and students continue on the road to success. Here are some tips to help middle-schoolers:

Build and Strengthen Positive Study Habits

Establish a consistent time and place for your child to study without distractions. Offer to find your student a tutor or other forms of help for subjects in which he or she might struggle.

Encourage Active Learning

Taking notes and participating in class are just two active learning skills that will help your child retain new information on multiple levels.

Get Involved in Extracurricular Activities

Extracurricular activities foster leadership, independence and self confidence that will serve a student both in school and in a career. Track your child's interests and activities in his or her high school plan.

Discuss Career Interests and Explore High-Need Fields

Identifying high-need fields that match your child's career interests can help prepare for a successful career. Working with your child to build reading, writing and analytical thinking skills can help in all future endeavors.

Know Your Student's Plan of Study

Iowa eighth-grade students create a high school plan to help them stay on track toward graduation, college admissions and career preparation. Ask your child's counselor for access to your child's plan and help your child stay on track.

Talk About Financial Issues

Students are more likely to learn positive savings habits and attitudes toward money prior to their teen years. Making finances a regular part of family conversations and stressing the importance of budgeting and savings goals help students create a healthy relationship with money.

Prepare for the Transition to High School

The larger world of high school can present a sudden and stressful shift for middle-schoolers. Talk to your child about what to expect in high school and help him or her develop healthy strategies for coping with stress.



FUN FACT!

Any family member, even those living outside Iowa, can contribute to a student's 529 Savings Plan.

PREPARING IN HIGH SCHOOL

Don't wait until your student's junior year to start preparing for college. These tips can help students stay on track from freshman year until graduation:

Encourage a Challenging Courseload

Students who take demanding courses in high school are more likely to remain on track toward college graduation. Advanced Placement, or AP®, classes are college-level studies available to students at their high schools. Some colleges might award college credit for the coursework based on the student's AP® exam score. If your child's high school does not offer AP® courses directly, it may provide online access to courses through the Iowa Online Academy.

Earn College Credit Early

Iowa's Senior Year Plus programs, including postsecondary enrollment options and concurrent enrollment, provide eligible students the opportunity to take college-level courses and, in most cases, to receive both high school and college credit. These programs are generally offered at no cost to students (with a few exceptions). To make sure your child's school will cover these costs, enroll your student in these courses through your child's current school district, not with the college providing credit. Talk with your high school counselor to learn more.

Stay Involved

Extracurricular activities can help your child learn cooperation, teamwork, time management and leadership skills. These activities can also make students more appealing to colleges on applications.

Volunteer

Volunteer work illustrates your student's interest and character. Finding a cause your student can support throughout high school shows college admissions counselors your child's dedication and commitment.

Explore College Options

Attend college fairs and visit college campuses to give you and your child the opportunity to talk to college officials and get a feel for college life.

Prepare for the ACT/SAT

The ACT and SAT are both standardized college admissions tests that provide an indicator of your child's academic readiness for college. Your child can boost his or her test-taking confidence with free practice test questions available from the official ACT and SAT websites: actstudent.org and collegeboard.org.

Learn the Financial Aid Process

The financial aid process is not as complicated as most people think. Iowa College Aid's "Your Course to College" guide explores everything from completing the Free Application for Federal Student Aid (FAFSA) to understanding your financial aid award letter. Order it free at IowaCollegeAid.gov.

Encourage Financial Literacy

Learning about budgeting, saving and using credit cards wisely before students leave high school will better prepare them for their financial life both as college students and as adults. Being a smart consumer and balancing a checkbook are just two of the financial life skills that help students develop lifelong positive money habits.

TYPES OF IOWA SCHOOLS



In order to meet Iowa's high school graduation requirements, students must take four years of English, three to four years of math (including one year each of algebra, geometry and advanced algebra), three to four years of science, three to four years of social studies or history and two to four years of a foreign language.

DEGREE TYPES

The type of education or training your child will need depends on his or her career choice.

Apprenticeship: Apprenticeships combine classroom studies with on-the-job training supervised by a trade professional.

Certificate/Diploma: These programs focus on a particular skill needed for a specific career and can generally be earned in two years or less.

Associate Degree: A two-year degree that can be earned at any community college (or some technical/business colleges or four-year colleges) and may be applied towards a bachelor's degree at a four-year college or university.

Bachelor's Degree: An undergraduate degree that can be earned at any four-year college or university.

Advanced Degree: These degrees include master's, doctoral and professional degrees and, in most cases, require the completion of a bachelor's degree or higher.

TYPES OF IOWA COLLEGES

Regent Universities

Iowa has three public universities—the University of Iowa, Iowa State University and the University of Northern Iowa. These universities offer bachelor's degree programs as well as advanced degrees, including master's, doctoral and professional degree programs. As state institutions, they receive funding from the state of Iowa to reduce tuition costs for in-state students.

Independent Colleges and Universities

Iowa's 26 independent colleges and universities offer academic programs in a smaller classroom environment, allowing for more individualized attention. In addition to bachelor's degree programs, some of these colleges also offer graduate and professional level degrees.

Community Colleges

Iowa has 15 community college districts covering the entire state. Community colleges offer two-year Associate of Arts (AA) and Associate of Science (AS) degree programs as well as numerous career and technical education diplomas and certificates, many of which take less than two years to complete. Community colleges are open-access institutions. Typically, tuition and fees are lower and admissions requirements less stringent than for many four-year colleges and universities. Many students save money by choosing to start at a community college and later transferring to a four-year college or university.

Technical, Business and Professional Schools

In addition to traditional colleges and universities, a variety of Iowa institutions offer certificate or diploma programs that provide specialized career training in a particular field.

MONEY SMARTS



An education after high school is an investment. The eventual yield that comes with earning a degree will far outweigh the money you spend to make that education possible.

The best method to fund your child's future college education is to start a long-term plan to invest or save as early as possible. Thanks to compound interest, saving money in a college fund early in your child's life will lead to more money to help pay for education. Compound interest occurs when the interest earned is added to the original amount, and you begin to earn interest on your interest. The longer you wait to start saving, the less you'll earn through compound interest!

| SAVINGS AT 8% COMPOUND INTEREST | | |
|---------------------------------|-----------------|-------------|
| Monthly Amount | Number of Years | Total* |
| \$25 | 18 | \$12,133.88 |
| \$50 | 18 | \$24,267.76 |
| \$75 | 18 | \$36,401.64 |
| \$100 | 18 | \$48,535.52 |
| \$150 | 18 | \$72,803.27 |

*Total savings is an example calculated assuming payment is made at the same time each month.

SAVINGS TIPS

- **Start with short-term goals.** People save more successfully when they keep the short-term goal in sight.
- **Keep track of your spending.** By writing your expenses down or using an app or online tracking service, you can hold yourself accountable for any guilty pleasures. It can also help you to create a budget by seeing clearly where your money is going.
- **Save an amount equal** to whatever is spent on nonessential purchases.
- **Cook for yourself.** Bring your lunch to work and cut back on going out to eat in the evenings.
- **Shop with a list.**
- **Avoid banking and payment fees.**
- **Borrow books rather than buy.** Make trips to the library a family outing to save money and increase quality family time.

LEARN MORE!

Read about these savings tips and more at americasaves.org.

SAVING FOR COLLEGE



Parents and grandparents who want to save and invest in a child's college fund have many options. Here is some basic information to keep in mind:*

INVESTMENT PRINCIPLES

Saving: Putting your money in a low-risk investment for use at a later time. Savings are usually used for short-term goals, receive low but guaranteed amounts of interest and are highly liquid. Options include savings accounts, certificates of deposit, savings bonds, treasury bills or notes and money market funds. **Be aware of the risk that the interest rate or returns will be less than college inflation.**

Investing: Using your money to buy securities. Investing is typically used for long-term goals, and the rewards can be substantial. However, marketplace investments can go up or down and returns are not guaranteed. Options include stocks, bonds and mutual funds.

Diversification: Avoid putting all of your eggs in one basket. Diversification is a way to reduce risk by buying different types of investments.

Risk Tolerance: The extent to which you are willing to risk losing part of your investment in exchange for earning a larger reward. Normally, the a greater possible gain equates to an increase in the risk of losing money. Most financial professionals can help you assess your risk tolerance.

INVESTMENT TOOLS

The best way to grow a college fund is to routinely add to your investments, paying close attention to the fees and expenses as they can greatly impact how much of a return you earn. If college is still a long way off, you can afford to take more risk by investing in one or more of the following options.

Stocks: Represent an ownership interest in a company. In the long term, stocks have provided much higher returns than other investments. However, since the price of stocks can change dramatically, diversification and a longer time frame to hold the investment become even more important.

Bonds: Represent a debt instrument issued by a corporation or government. A bond pays a fixed rate of return over its life until the bond matures and the principal is paid back to the investor. While they're generally less risky than stocks, changes in interest rates can change the value of bonds.

Mutual Funds: The most popular way to invest because these provide professional management plus diversification. The fund manager buys bundles of stocks or bonds on behalf of a large number of investors. The goals of mutual funds can vary from speculation (higher risk for higher rewards) to conservative (such as government bonds). Information about the fund goals, management, fees and expenses are provided in a disclosure document called a prospectus.

*The Iowa Insurance Division, a state agency whose mission includes investor education, provided information on saving and investing. A more complete guide may be found in a booklet titled "Where to Invest Your College Money" on the Division website, iid.iowa.gov. Additional booklets cover the topics of stocks, bonds, mutual funds and getting help with your investments.

TAX ADVANTAGE EDUCATIONAL INCENTIVE PROGRAMS

College Savings Iowa: Iowa's state-administered 529 plan allows parents, grandparents, relatives and friends to contribute toward the education expenses of young people regardless of income or state of residence. This plan is among the most highly regarded 529 plans in the country due to its tax advantages and low fees. Your only expense is a management fee of 0.26 percent. The program offers tax benefits at both the state and federal levels.

You can open an account for as little as \$25, and save up to \$320,000 per child or student (the beneficiary). Several people may contribute for the same beneficiary, and one person may contribute for several beneficiaries. Investment management for the plan is provided by Vanguard, Inc., and allows the investor to customize asset allocation based on investment strategy and risk tolerance.

For additional information, or to enroll in this program, please call the Iowa State Treasurer's Office at (888) 672-9116 or visit CollegeSavingsIowa.com.

Upromise: A free rewards program that gives back a percentage of your spending with hundreds of America's leading companies in the form of college savings. The money may be automatically transferred to your College Savings Iowa account on a periodic basis and used when your child goes to college. Parents, grandparents, relatives and friends can help save for your child's education by joining Upromise as well.

Coverdell Educational Savings Accounts: Parents or grandparents can set these up at a bank, brokerage firm or mutual fund company and put up to \$2,000 annually into the account. When withdrawals are made to pay for qualified education expenses, the earnings are not taxed (subject to contributor limits on income).

Roth IRA: While this is a form of retirement account, you can also withdraw contributions at any time without tax payments or penalties. That portion of the account could be used to fund college expenses. If you are over the age of 59½, earnings can also be withdrawn tax-free (these are also subject to limits on income).

U.S. Savings Bonds: The interest earned on U.S. savings bonds may be used to pay for tuition and fees at qualified institutions (subject to limits on income). This is a very safe way to save for college, but in recent years neither EE bonds nor I-bonds have earned an interest rate that has kept up with college inflation.

Pre-Paid Tuition Programs: Paid to a specific college/university to hedge against increased tuition costs when the child is ready to enroll at that specific college. The largest drawback is that the child might not want to attend that particular college.

Tax Credits: Keep in mind that money you spend on certain educational expenses may have a tax benefit. These include the American Opportunity Credit, Lifetime Learning Credit or a Tuition and Fees Deduction.

For information, access the Internal Revenue Service's Publication 970 at irs.gov/publications.



**For information, go to
CollegeSavingsIowa.com.**

COLLEGE SAVINGS



Michael L. Fitzgerald, Treasurer of State

They grow up fast.
Plan now for their tomorrow.



We all want the best for our children. As they grow and learn, we observe them discovering life's endless opportunities. From playing doctor today and police officer tomorrow, every child's imagination looks toward the future.

Receiving a college degree is a huge achievement. To set your loved ones up for this success, consider saving for their higher education through College Savings Iowa, Iowa's 529 plan. With our plan, you will receive:



FLEXIBILITY

- Save for anyone: child, grandchild, friend or yourself.
- Pay for qualified tuition, fees, books room and board, computers and required supplies.*
- Use at any eligible educational institution in the United States and abroad, including colleges and universities, community colleges, vocational/technical schools and graduate schools.
- Transfer the account to another eligible family member if the original beneficiary does not use all of the account or attend a postsecondary institution.

TAX BENEFITS

- Withdrawals are free from both federal and Iowa state income taxes when used to pay for qualified higher education expenses.
- Iowa taxpayers also receive deductions from their state income tax for each account they own and contribute to.**

LOW MINIMUM INVESTMENTS AND LOW FEES

- Open an account with a minimum of \$25. Each additional contribution can be as little as \$25. You can contribute regularly or whenever it is convenient.
- Enrollment is free. College Savings Iowa doesn't charge enrollment, annual, withdrawal or adviser fees or commissions, which other types of plans may charge. Your only expense is a low annual asset-based fee of 0.26%. That means for every \$1,000 you invest, you will only pay \$2.60 in fees per year.

While a college education is an investment that will last a lifetime, the time to save is much shorter than you think. Start saving today to help make college a reality for a child in your life. For more information about College Savings Iowa, visit CollegeSavingsIowa.com or call 888-672-9116. Also, be sure to like us on Facebook and follow us on Twitter (@Iowa529Plan) to stay up to date on all our current events and giveaways.

Sincerely,

A handwritten signature in black ink that reads "Michael L. Fitzgerald". The signature is written in a cursive, flowing style.

Michael L. Fitzgerald | Treasurer of State

*The earnings portion of nonqualified withdrawals may be subject to federal income tax and a 10% federal penalty tax, as well as state and local income taxes. The availability of tax or other benefits may be contingent on meeting other requirements.

**If withdrawals are not qualified, the deductions must be added back to Iowa taxable income. Adjusted annually for inflation.

FINANCIAL AID SOURCES



No matter what type of savings program you establish, you will always face two basic risks: not having enough time or money to save for college and receiving lower than anticipated earnings. If you have difficulty meeting your savings goals, there are financial aid options to help.

SCHOLARSHIPS

Scholarships are offered by colleges and universities, federal and state agencies, businesses, community organizations and other private sources. The money is applied to college costs and does not have to be repaid. High school counselors are excellent resources for local scholarship information. Your child can also look for scholarship opportunities using free online scholarship search tools.

GRANTS

Federal and state grants are available to students who meet the requirements of the grant program. Like scholarship funds, grant funds do not have to be repaid. Students must complete the Free Application for Federal Student Aid (FAFSA) to apply for federal grants. Additionally, the Iowa Financial Aid Application allows Iowa students to apply for multiple state of Iowa aid programs with one application. You can find this application at IowaCollegeAid.gov and also link directly to it after completing your FAFSA.

WORK-STUDY

Work-study programs provide part-time employment to eligible students. These jobs accommodate students' class schedules and often include a maximum amount of hours per week so students can concentrate on their studies.

LOANS (FEDERAL AND PRIVATE)

Educational loans are long-term obligations available to students and parents through both the federal government and private lenders. Federal student loans are a good, low-interest option after you have exhausted all other aid and employment opportunities. Private student loans should be used as a last resort as they are not federally insured and are usually more costly than federal student loans.

OTHER SOURCES

Internships, cooperative education and employee tuition assistance may offer other options for financial aid. Check with your child's high school counselor and your employer for details.

Apprenticeship programs combine classroom studies with on-the-job training. Often apprenticeship partners will pay educational expenses at community colleges for students to receive academic and hands-on technical training. The military also provides a variety of educational opportunities to service members to study before, during and after their military commitments.

These websites are good places to search for financial aid and scholarship information:

IowaCollegeAid.gov

ed.gov/parents

fastweb.com

studentaid.ed.gov

collegeboard.org

collegegreenlight.com



If you would like additional information about financial aid programs, savings plans or investment options, contact one of the following:

REGISTERED REPRESENTATIVES, INVESTMENT ADVISERS OR FINANCIAL PLANNERS.

These professionals might recommend or sell investments as well as assist in long-term planning. Check with the Iowa Insurance Division to make sure that they are licensed and also to get information about any disciplinary problems, serious complaints and work history.

Iowa Insurance Division Phone: 877-955-1212

TREASURER OF STATE

College Savings Iowa is administered by the Treasurer of State and is designed to encourage adults to save for the future educational expenses of young people.

Phone: 888-672-9116

Website: CollegeSavingsIowa.com

IOWA COLLEGE AID

The Iowa College Student Aid Commission can provide you with information about state-funded scholarships, grants and student loan options. In addition, the agency provides college and career planning tips and resources.

Phone: 877-272-4456

Website: IowaCollegeAid.gov

U.S. DEPARTMENT OF EDUCATION

The U.S. Department of Education can provide you with basic student aid information.

Phone: 800-4-FEDAID

Website: ed.gov

HIGH SCHOOL COUNSELORS

Your high school counselor might provide a list of local scholarship sources and other financial aid options.

FINANCIAL ADVISERS

Some accountants, certified financial planners, chartered financial consultants and lawyers can help you construct trusts, gift arrangements and estate planning for college funding.



MYTHS ABOUT ATTENDING COLLEGE



MYTH:

Private college will be financially out of my reach.

Don't eliminate an institution based on "sticker price" alone. Federal and state financial aid is available, which can help with the costs of your student's education. Additionally, many colleges and universities provide their own institutional aid.

TRUTH:



MYTH:

If I save early, it will hurt my chances for financial aid.

If you are a middle-income family, saving for college early will help you avoid the need to borrow during college. Those loans can take 10–30 years to repay.

TRUTH:



MYTH:

Grades and courses aren't important until my child's senior year of high school.

Colleges and universities consider a student's grades throughout high school and require a minimum amount of coursework for admission.

TRUTH:



MYTH:

We make too much money, so our child will not qualify for financial aid.

There is no income cut-off for financial aid eligibility, and there is no cost to complete the Free Application for Federal Student Aid (FAFSA). Every dollar offered in scholarships or grants to a student is one less dollar required in a student loan.

TRUTH:

MYTH:

Students don't need to worry about picking a career path until senior year or the start of college.



Knowing what interests a student has for a career will reduce the chance of changing majors in college, which can mean extra time and tuition expense.

TRUTH:

MYTH:

Only students with good grades get financial aid.



While many scholarships are based on academics, many consider factors other than grades. Federal and state grant awards are often based on family income, family size and college tuition costs.

TRUTH:

BECAUSE COLLEGE CHANGES **EVERYTHING**

Brought to you by:

