

# **Your Education Financing Plan**

Prepared on August 12, 2016

## Why a 529 Plan?

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### *Federal tax benefits*

529 plans offer unsurpassed income tax breaks. Although your contributions are not deductible on your federal tax return, your investment grows tax-deferred, and distributions to pay for the beneficiary's college costs come out federally tax-free.

### *State tax benefits*

Your home state is New Jersey. New Jersey has an income tax but does not offer a benefit for 529 plan contributions.

### *Donor retains control of funds*

You, the donor, stay in control of the account. With few exceptions, the named beneficiary has no rights to the funds. Most plans even allow you to reclaim the funds for yourself any time you desire, no questions asked. (However, the earnings portion of the "non-qualified" withdrawal will be subject to income tax and an additional 10% penalty tax.)

### *Simplified tax reporting*

You won't receive a Form 1099 to report taxable or nontaxable earnings until the year you make withdrawals.

### *Flexibility*

You can change 529 plans once every 12 months and change your investment portfolio twice every calendar year. You're never locked into a specific investment.

### *Substantial deposits allowed*

Everyone is eligible to take advantage of a 529 plan, and the amounts you can put in are substantial (over \$300,000 per beneficiary in many state plans). Generally, there are no income limitations or age restrictions.

## Client Profile

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Assumptions in this report are made using information gathered about your family's personal financial situation. Please review the information on this page to ensure everything is correct and up-to-date, as incorrect information can lead to inaccurate calculations.

### Plan Owner

State of Residence: New Jersey  
Household Income: \$100,000  
Filing Status: Single  
Federal Tax Bracket: [ from \$91,150 to \$190,150 ]  
State Tax Bracket: [ from \$75,000 to \$500,000 ]

### Child 1

Name: Child 1  
Age: 2  
Expected University: Private University  
College Inflation Rate: Historical  
Current Savings Earmarked for Education: \$1,000  
Projected College Savings: \$73,385  
Contributions: \$267 Monthly

*Note: The college inflation rate can be historical, i.e., based on historical increases in tuition and fees at the college or type of college chosen, or set at a fixed rate of your choosing.*

## Cost of College

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Below is an overview of your family's total projected future college costs. Remember, costs not covered by savings will have to be covered by grants, scholarships, paid-out-of-pocket or borrowed.

	School	Future Cost (Sticker)	Future Cost (Net)
Child 1	Private University	\$280,638	\$155,838
TOTAL		\$280,638	\$155,838

*Note: The "Future Cost (Net)" is calculated by deducting an average of the amount of financial aid historically granted by the school or school type. Actual financial aid may vary widely depending on your financial circumstances and availability at the time of the enrollment.*

Yearly Breakdown of College Costs		
	Child 1 (Net)	Total
2032	\$37,249	\$37,249
2033	\$38,366	\$38,366
2034	\$39,518	\$39,518
2035	\$40,703	\$40,703

This analysis is based on information you provided. The assumptions and projections in this plan are estimates and are meant to serve solely as a guideline. If any assumptions in this plan are not realized, then the projections will be inaccurate. This report does not offer legal or tax advice and should be reviewed by your legal and tax advisors before any action is taken. Past performance is no guarantee of future results.

## Cost of College for Child 1

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Attending a private university in 16 years will have a total 4-year cost of \$280,638 using a historical inflation rate. The cost of college has historically outpaced inflation, so the numbers can be daunting. However, few students pay the full "sticker price" for their college education. Resources such as scholarships, loans, grants and other aid are available to help cover some of the costs.

Child 1's College Cost	
Years until college	16
Current cost of private university	\$155,838
Inflation rate	Historical
Projected future cost (sticker)	\$280,638
Estimated scholarships & grants	\$124,800
Projected future cost (net)	\$155,838

Total Cost \$280,638	
● Tuition	\$181,376
● Room & Board	\$64,261
● Fees	\$25,963
● Books	\$9,038

*Note: The historical inflation rate is derived from the historical average growth rate for the school or type of school. The "projected future cost (net)" is calculated by deducting an average of the amount of financial aid historically granted by the school or school type. Actual financial aid may vary widely depending on your financial circumstances and availability at the time of the enrollment.*

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## Child 1's College Funding

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Child 1's education is projected to cost a total of \$155,838. Based on an initial contribution of \$1,000 and ongoing monthly contributions of \$267, you will save \$73,385, leaving you \$82,453 short of your college savings goal. Below are typical options used by college savers and how they are projected to help you achieve your goal.

### *Savings vehicle options*

Projected Growth over 16 years		
Type	Difference	Balance
Avg. 529 Plan	+\$20,916	\$73,385
Avg. Savings Acct.	\$0	\$52,469

Your Assumptions:

Rate of return for 529 plan growth: Age-based

Age-based portfolios automatically shift from more aggressive investment options to more conservative ones as a child ages. In other words, the proportion of equity in these portfolios tends to decrease with a child's age. To project growth in a hypothetical average age-based portfolio, first the average asset allocation for all existing 529 plan age-based portfolios has been determined. Then consensus rates of return are applied to create a hypothetical average return at each age of a child's investment glidepath.

### *529 plan tax savings*

Earnings within a 529 plan are tax-deferred and eventually tax-free when used to pay for qualified higher education expenses. Based on your state of residence and tax bracket, you can expect to pay \$3,168 less in federal taxes and \$0 less in state taxes.

Avg. 529 Plan

Avg. Savings Account

New Jersey has an income tax but does not offer a benefit for 529 plan contributions.

*Note: Projected growth for the Average Savings Account is based on the average national rate of return on savings accounts as reported by the FDIC.*

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## Child 1's Future College Debt

Saving now means less money your beneficiary will have to pay back later in the form of student loans. Your current college savings plan would leave Child 1 with a \$82,453 shortfall. If no scholarships or grants are obtained, this will need to be taken out in the form of student loans.

<b>\$155,838</b> Total Cost of College	<b>\$82,453</b> Shortfall	This is the amount of college costs left uncovered. Costs not covered by savings will have to be covered by grants, scholarships, paid out of pocket or borrowed in the form of loans.
	<b>\$21,121</b> Projected Growth	Based on average rates of return, this is how much earnings your plan is expected to accumulate in average market conditions.
	<b>\$52,264</b> Contributions	Based on a <b>\$1,000 initial deposit</b> and ongoing contributions of <b>\$267 a month</b> , this is the total amount you will contribute to your savings plan over the course of 16 years.

This is a repayment schedule for Child 1's projected future student debt. This table illustrates how your current college savings plan could affect Child 1's future student loan repayment schedule.

	Principal Amount of Loan	Monthly Payment	Minimum Salary Required
<b>Before Saving</b>	\$155,838	\$1,940	\$291,076
<b>After Saving</b>	\$82,453	\$1,026	\$154,007

**Principal Amount of Loan:** This is the amount of money that will need to be borrowed to cover your projected shortfall.

**Monthly Payment:** This is your projected monthly payment of principal plus interest, based on a 10-year repayment period and the 6.08% average federal student loan interest rate from 1994-2013 from the New America Foundation.

**Minimum Salary Required:** Salary needed assuming that your student loan payments should be no more than 8% of your annual salary.

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## DISCLOSURES

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**Important:** This calculator is provided for educational purposes only and is not meant as legal, tax, estate planning or investment advice. You may want to review your overall tax plan with a tax professional. The results of these calculations are estimates based solely on user input and the assumptions of the calculator program. All examples are hypothetical and intended for illustrative purposes only. Investment results do not represent the future performance of any Franklin Templeton funds or 529 college investment plan. Before making any financial commitment regarding a Section 529 college savings plan, consult with the appropriate financial advisor.

*Investors should carefully consider plan investment goals, risks, charges and expenses before investing. To obtain the [Investor Handbook](#), which contains this and other information, call Franklin Templeton Distributors, Inc., the manager and underwriter for the plan, at (877) 4NJ-BEST. You should read the Investor Handbook carefully before investing and consider whether your or the account beneficiary's home state offers any state tax or other benefits that are only available for investments in its qualified tuition program.*

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