

## Saving for College

As students return to school, it is a good time to review your options for paying higher education costs when your children (or grandchildren) graduate. There are three strategies to help you afford a higher education: save prior, pay during, or reduce debt afterward. Financial aid has changed dramatically over the last several years. Historically, a student was able to take out a loan for the entire cost; now the loan amount is limited. I advise a loan limit for students not to exceed the potential annual salary of their profession. I also recommend that you use the Net Price Calculator that is available on each University's website to see the number of grants and loans you may qualify for, as well as your Expected Family Contribution.

The best way to afford higher education is to save before the student attends. There are three main ways to do so in Michigan as described below:

1. **Michigan Education Trust (MET)** - Pre-pays tuition by locking in today's tuition rates for future use, but does not include room and board. It qualifies for the state income tax deduction in the year purchased. <http://michigan.gov/setwithmet>
2. **Michigan Sponsored 529 Plans** - Covers all qualified expenses including tuition and room and board. It qualifies for the state income tax deduction for the contribution year.
  - o Michigan Education Savings Plan (MESP): [www.misaves.com](http://www.misaves.com)
  - o MI 529 Advisor Plan: [www.mi529advisor.com](http://www.mi529advisor.com)
3. **Non-Michigan Plans** - such as the American Funds 529 Plan -- Covers all qualified expenses including tuition and room and board, but doesn't qualify for the state income tax deduction. [www.americanfunds.com/individual/planning/college-savings.html](http://www.americanfunds.com/individual/planning/college-savings.html)

In my opinion, the MET Plan is the least flexible option. If your child attends either a private or out of state college, the tuition refund you receive is based on a state average. In addition, you will need to save for additional expenses such as room and board separately.

529 Plans allow you to contribute after-tax dollars that have the potential to grow tax-free if used for qualified higher education expenses. If you do not use the money for qualified expenses, the earnings will be taxable as well as incur a 10% penalty. Qualified expenses include tuition, room and board, books, and computers but do not cover loan payments. When taking a 529 Plan distribution, it is the account owner's responsibility to keep copies of receipts as proof that the proceeds were used for qualified expenses in the event of an IRS audit.

Please let me know how I might help you invest in your child's future.

Kind regards,  
Meghan



Meghan Phillips Dykstra CFP®  
Investment Advisor Representative  
900 East Front Street, Suite 200  
Traverse City, MI 49686  
phone: 231-486-6188  
fax: 231-486-6191  
[Meghan.dykstra@securitiesamerica.com](mailto:Meghan.dykstra@securitiesamerica.com)  
[TandemWealthTC.com](http://TandemWealthTC.com)