

The ABCs of Education Savings

Helping create a plan that makes the grade

[NAME]

Not a Deposit Not FDIC Insured Not Guaranteed by the Bank
May Lose Value Not Insured by any Federal Government Agency



02

Acquaint

Understand the education savings landscape



10

Build

Considerations in building a plan that fits your needs



35

Care

How to care for the plan and help maintain consistent savings





Acquaint

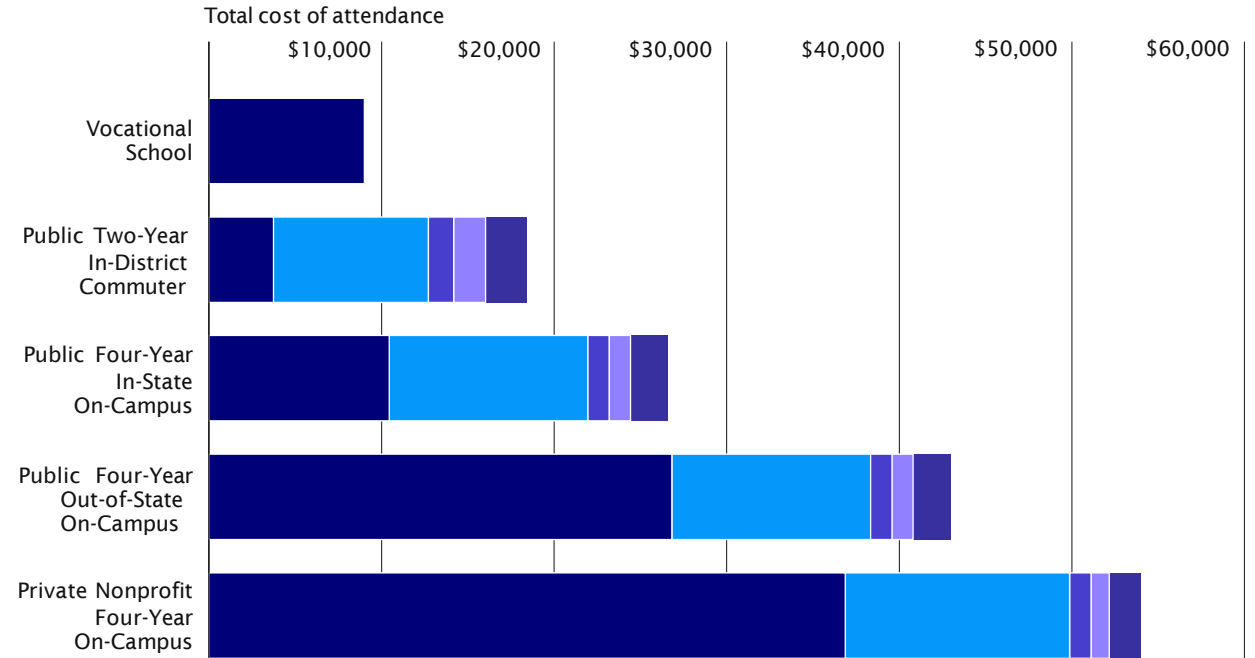
Understand
the education
savings
landscape

Education Is an Expense That Should Be Planned For

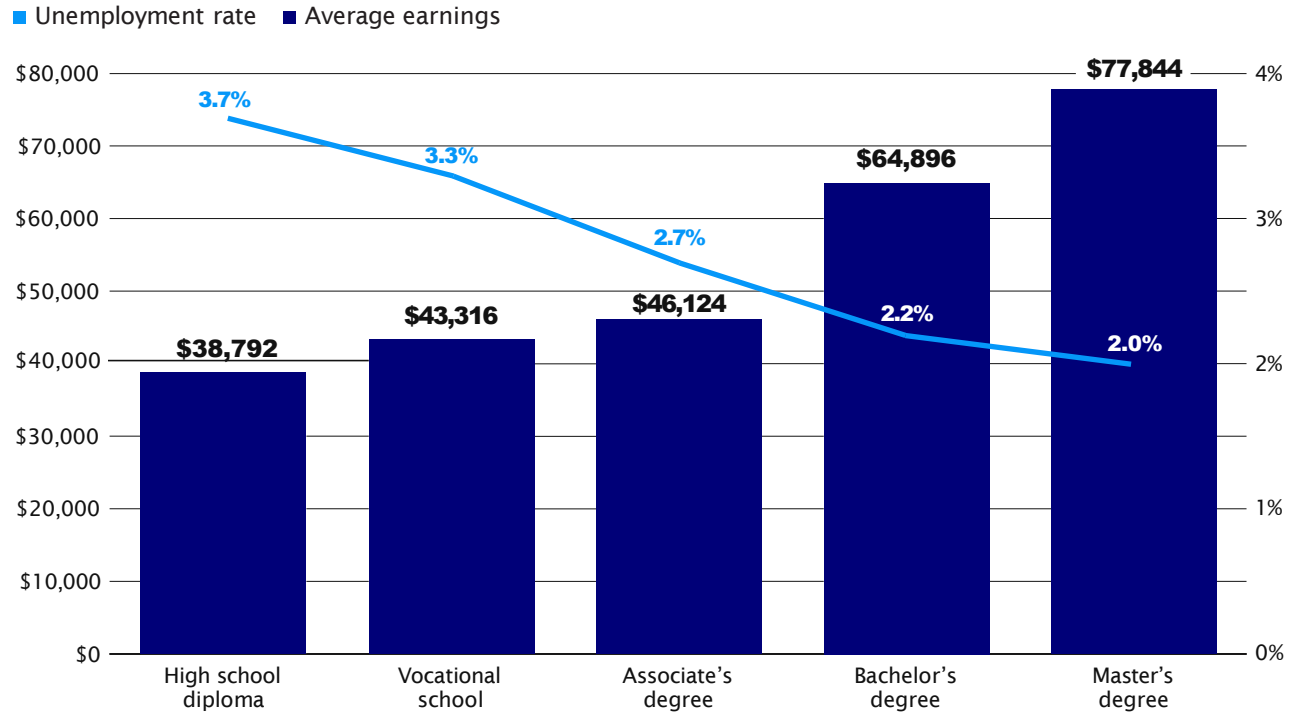
Source: College Board. "Trends in College Pricing 2020," 2020. Vocational school data provided by rwm.org, 2020. Trade school costs vary by specific trade. Most recent data available.

Cost of attending different types of post-high school education

■ Tuition and fees ■ Room and board ■ Books and supplies ■ Transportation ■ Other expenses



Education Tends to Increase Future Earnings Potential



Source: Bureau of Labor Statistics, 2020. Average earnings and unemployment rates are for the year 2019. Most recent data available.

Tuition Cost May Grow Faster Than Your Student

Projected four-year college costs today versus 18 years from now.

Tuition and fees are expected to increase at a rate of 3%–5% annually. This could mean an increase of \$265,285 in tuition from the time your student is born until they graduate high school.

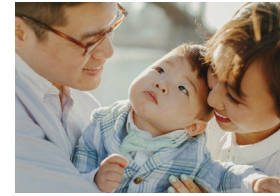
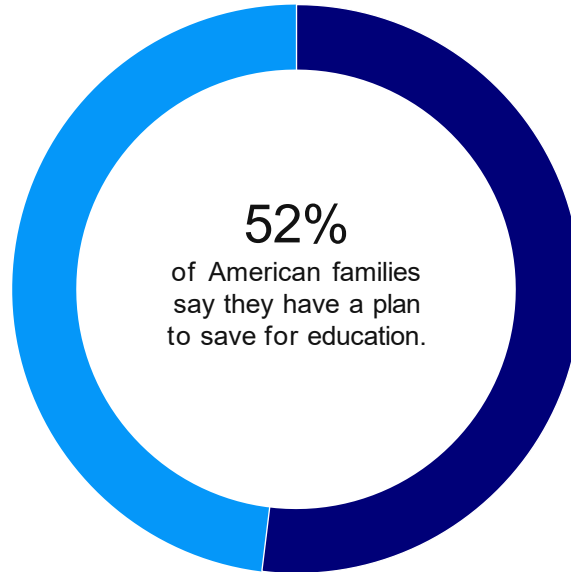
Sources: College Board, "Trends in College Pricing 2020," 2020, and Invesco, Ltd., 2020. This scenario shows calculations based on four years at a private college and includes tuition, room and board, and fees, and assumes an average of 4.5% increase per year. The hypothetical examples are for illustrative purposes only and do not predict or depict the performance of any specific investment. Actual results may vary. Most recent data available.



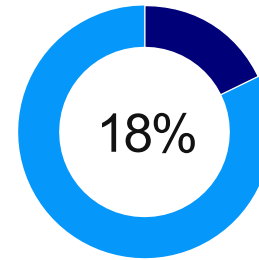
Build a Plan

Careful planning may help your savings grow.

People who say they have a college savings plan, on average, borrow 18% of their total cost of college, while non-planners borrow 31%.

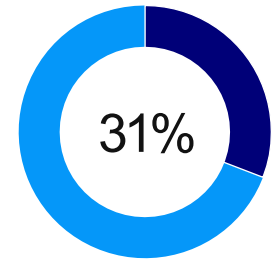


Families that plan for education savings borrow significantly less than non-planners.



Planners

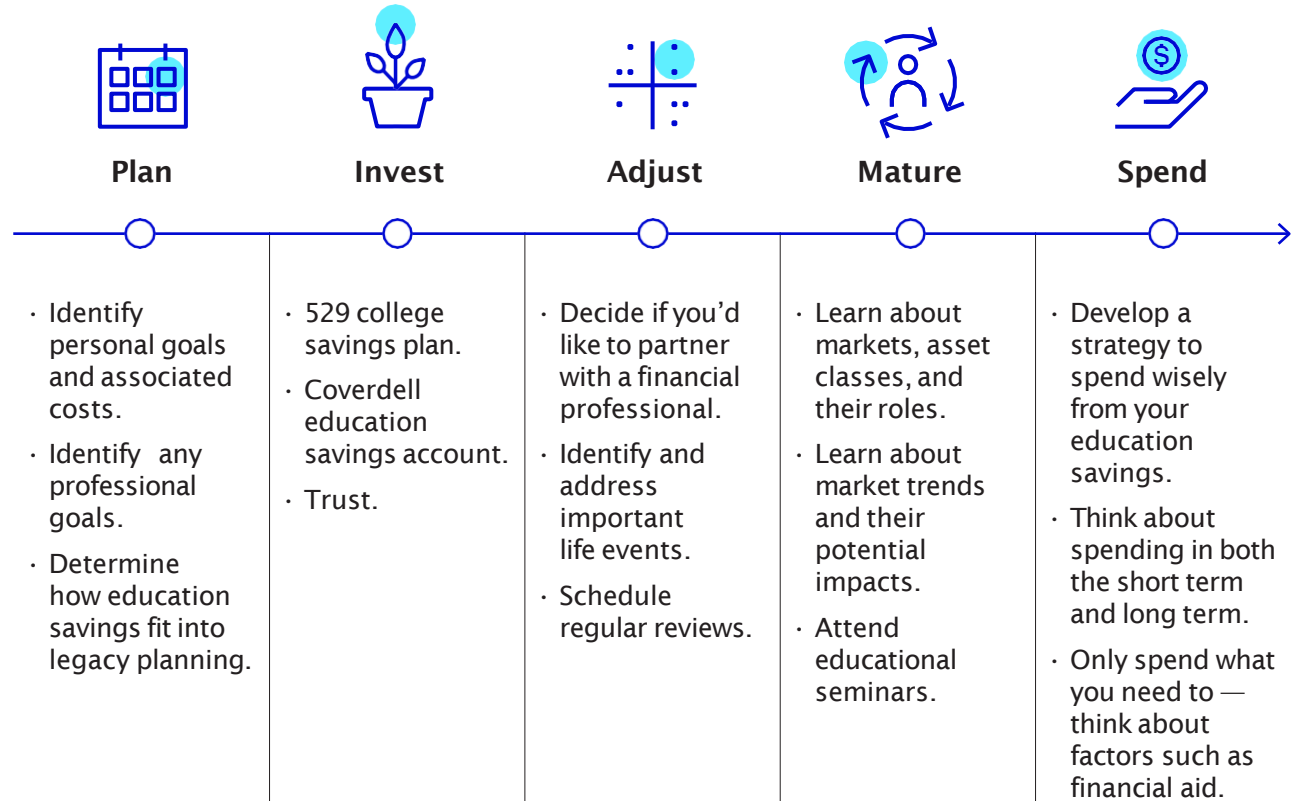
vs.



Non-planners

Assess Your Financial Health

Calculate your current savings, spending habits, and potential future expenses.



Resources to Help You Start Planning

“Do it yourself” vs.
“do it with help” options.

“Do it yourself” planning



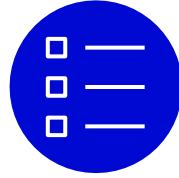
“Do it with help” planning

The internet	Government resources	Traditional resources	Financial professional
<p>Many websites provide a lot of great resources and tips:</p> <ul style="list-style-type: none"> · SavingForCollege · NerdWallet · FinAid <p>Sallie Mae reports:</p> <ul style="list-style-type: none"> · How America Saves for College · How America Pays for College 	<p>Department of Education</p> <p>Securities and Exchange Commission (SEC)</p> <p>Federal Student Aid</p>	<p>The research section of the library contains information on how to get started.</p> <p>High school guidance counselors may provide resources on education and vocational training.</p>	<p>A financial professional can help build education into your holistic financial plan.</p> <p>Visit brokercheck.org to find a financial professional.</p>

The organizations listed to the right are not affiliated with Invesco or its subsidiaries.

Acquaint Yourself with the Education Savings Landscape

Putting it all together.



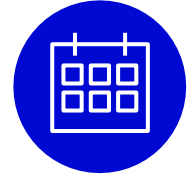
Education costs can be manageable with a plan

Identify your education savings goals early to help lessen the burden.



Use all available resources

There are many resources — both in-person and online — that can help you get started.



Build a plan

Having a plan can lead to increased success in reaching your education savings goal. The end result of your plan may not be to fully fund your student's education, but remember that every dollar saved today is a dollar less to borrow and can help pay for future expenses.



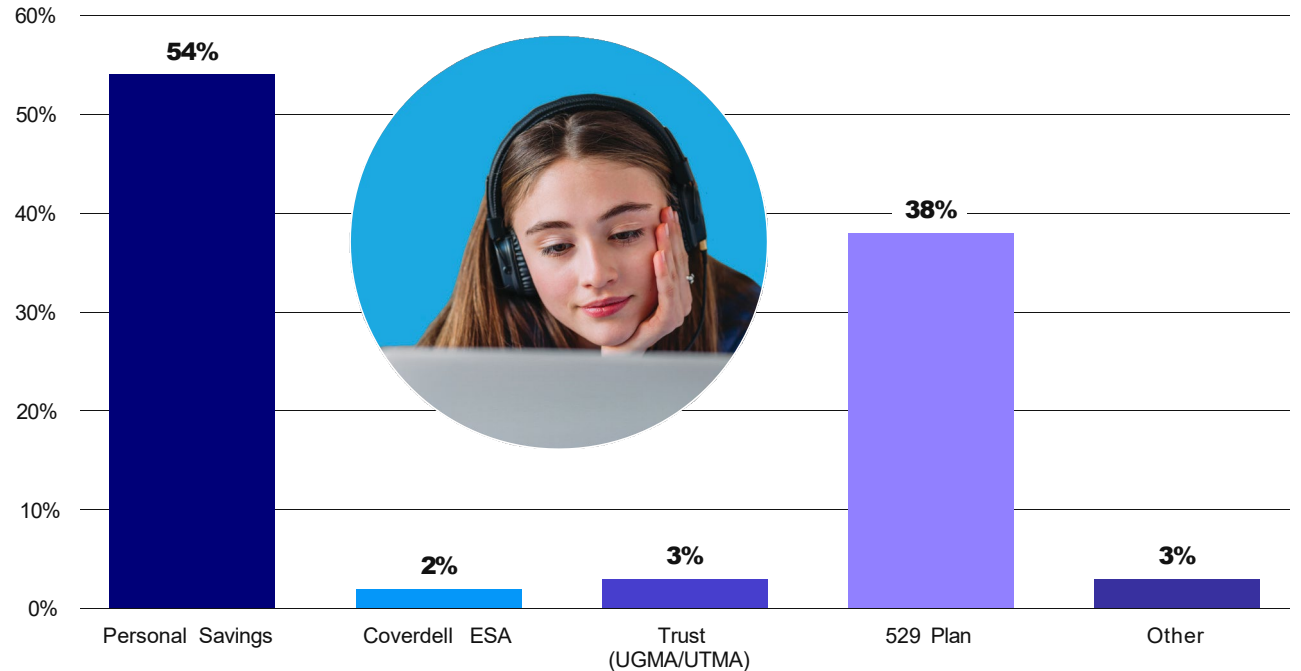
Build

Considerations
in building a
plan that fits
your needs

Families Have Several Options to Save for Education

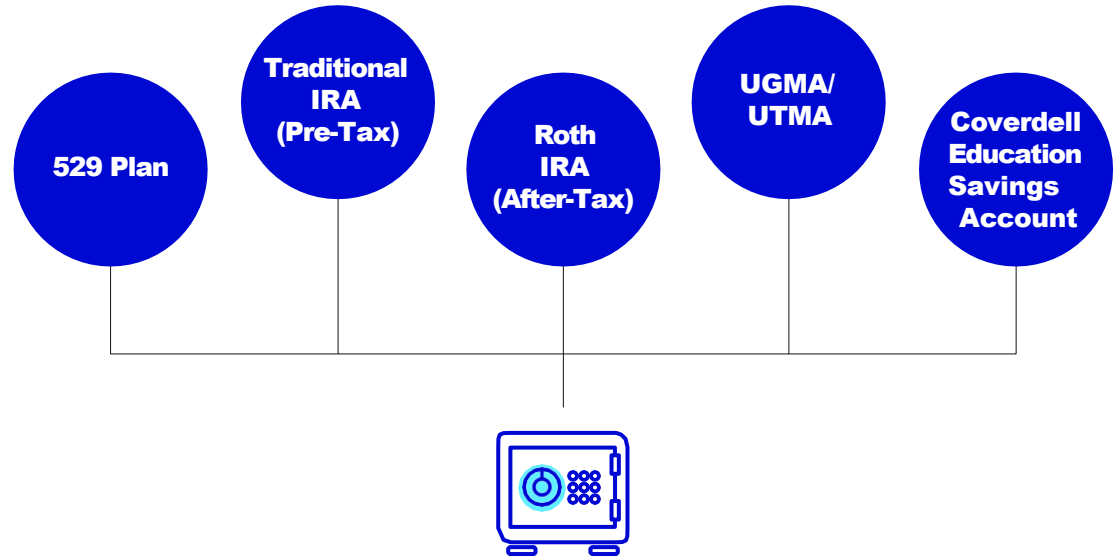
As shown in the data to the right, Americans save for college in a number of ways. By using these options (either alone or in combination), families can help plan for future education expenses.

Source: Sallie Mae, "How America Saves for College," 2018. Personal savings is defined as a general savings account, piggy bank, Bitcoin, checking accounts, CD, investment account, juvenile life insurance, and US savings bonds. Most recent data available.



Different Options, Different Tax Treatments

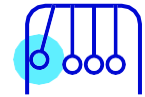
You have options when saving for education. Some of these options may work better than others, depending on your situation.



Source: Federal Student Aid, Department of Education.
<https://studentaid.ed.gov/sa/fafsa/filling-out>. Visit [irs.gov](https://www.irs.gov) for more information.

Different Options, Different Tax Treatments

529 college savings
plans.



Tax implications	Account control	Financial aid impact
Tax-free growth and tax-free withdrawals as long as they are used for qualified education expenses. ¹	Owner-driven account.	Parental assets: 5.64% weight in FAFSA calculations.

Source: Federal Student Aid, Department of Education.
<https://studentaid.ed.gov/sa/fafsa/filling-out>

1. Visit irs.gov for more information. Earnings on non-qualified withdrawals may be subject to federal income tax and a 10% federal penalty tax, as well as state and local income taxes. Tax and other benefits are contingent on meeting other requirements, and certain withdrawals are subject to federal, state, and local taxes.

Different Options, Different Tax Treatments

Individual retirement accounts (IRAs).



Tax implications	Account control	Financial aid impact
<p>Traditional IRA (Pre-tax)</p> <ul style="list-style-type: none"> • Tax-deductible contributions. • Tax-free growth. • Taxed on distributions. • Penalty-free withdrawals for education expenses for you, your spouse, your child, or your grandchild.¹ <p>Roth IRA (After-tax)</p> <ul style="list-style-type: none"> • After-tax contributions. • Tax-free growth. • Possible tax-free withdrawals.¹ • Penalty-free withdrawals for education expenses for you, your spouse, your child, or your grandchild.¹ 	<p>Parental-owned account.</p>	<p>Retirement assets are not counted in FAFSA calculations; however, distributions could spike income.</p>

Source: Federal Student Aid, Department of Education.
<https://studentaid.ed.gov/sa/fafsa/filing-out>

1. Visit irs.gov for more information. Earnings on non-qualified withdrawals may be subject to federal income tax and a 10% federal penalty tax, as well as state and local income taxes. Tax and other benefits are contingent on meeting other requirements, and certain withdrawals are subject to federal, state, and local taxes.

Different Options, Different Tax Treatments

Uniform Gift to Minors Act (UGMA)/Uniform Transfers to Minors Act (UTMA).



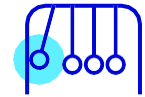
Tax implications

Higher balances could potentially be tax unfriendly.¹



Account control

Yield control of account to the child at age of majority. Account may be invested in various vehicles.



Financial aid impact

Student's assets: 20% weight in FAFSA calculations.

Source: Federal Student Aid, Department of Education.
<https://studentaid.ed.gov/sa/fafsa/filling-out>

1. Visit [irs.gov](https://www.irs.gov) for more information.

Different Options, Different Tax Treatments

Coverdell education
savings accounts.



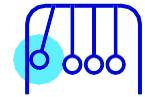
Tax implications

Tax-free growth, but \$2,000 maximum annual contribution limit.¹



Account control

Remains a parental-owned account until the beneficiary turns 30 years old.



Financial aid impact

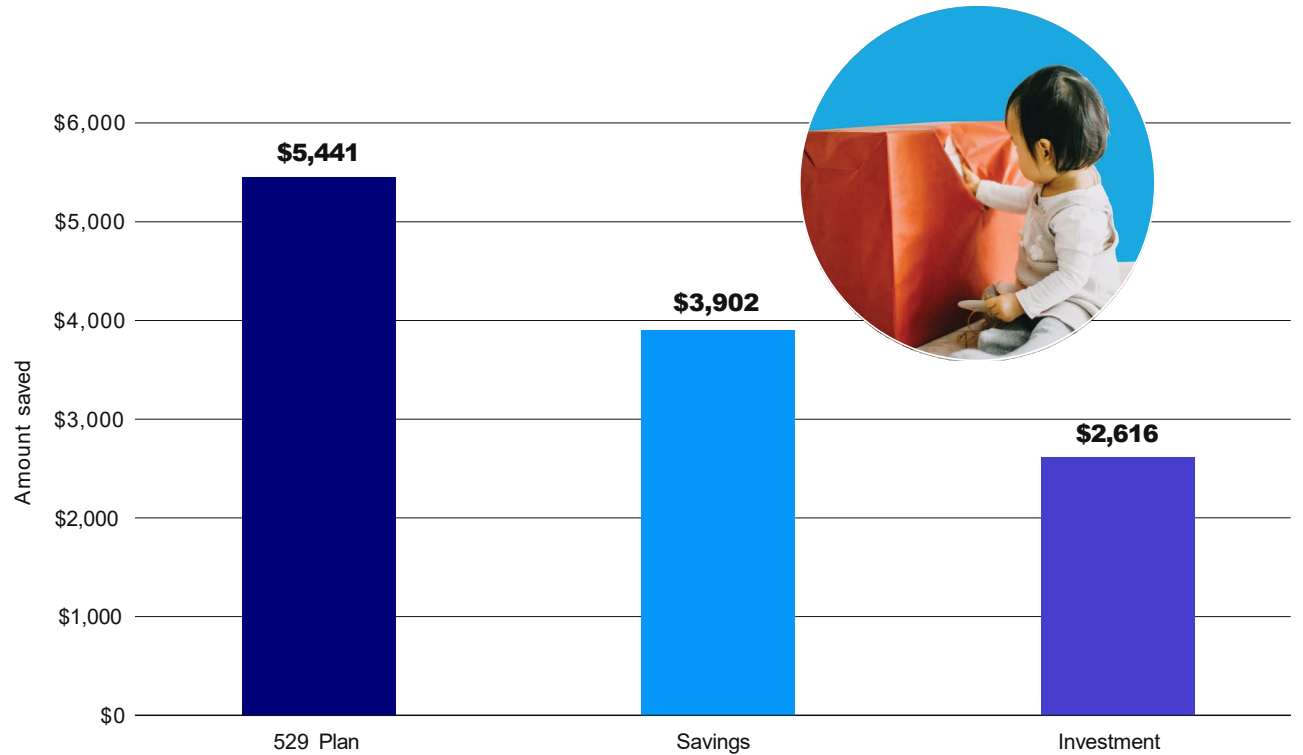
Parental assets: 5.64% weight in FAFSA calculations.

Source: Federal Student Aid, Department of Education.
<https://studentaid.ed.gov/sa/fafsa/filling-out>

1. Visit [irs.gov](https://www.irs.gov) for more information.

Saving in the Right Places Can Help Your Student Succeed

Parents who save in a 529 college savings plan typically save more than parents using other types of accounts.



Source: Sallie Mae, "How America Saves for College," 2018. Most recent data available.

529 College Savings Plans: The Facts

Two types of 529 plans to fit your preferences and savings goals.

Traditional 529 college savings plans



Essentially an investment account¹

- Authorized by individual states.
- Earnings not taxed when spent on qualified educational expenses.²
- Can be used at any accredited college, including some overseas.

Prepaid 529 college savings plans



Pay tomorrow's tuition at today's price

- Only valid for specific issuing state or participating institution.
- There are no tax implications because money is not invested, “units or semesters” or “tuition certificates” are being purchased.
- These “units or semesters” or “tuition certificates” are bought at today’s prices and can be used to pay for education at a future date.

1. Subject to market risk.

2. Earnings on non-qualified withdrawals may be subject to federal income tax and a 10% federal penalty tax, as well as state and local income taxes. Tax and other benefits are contingent on meeting other requirements, and certain withdrawals are subject to federal, state, and local taxes.

Traditional 529 College Savings Plans: Designed for Education Savings

Traditional 529 plans have potential advantages over other savings vehicles when it comes to saving for education.

Traditional 529 college savings plan features

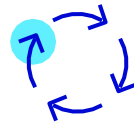
1

Accepted at most schools nationwide



2

Plans are flexible



3

Tax advantages



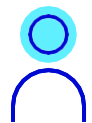
4

Anyone can open an account



5

Account holder maintains control



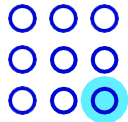
Prepaid 529 College Savings Plans: Pay Tomorrow's Tuition at Today's Prices

Prepaid 529 plans can help alleviate concerns surrounding market volatility or future tuition increases.

Prepaid 529 college savings plan features

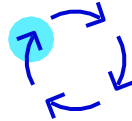
1

Purchase "units" or "semesters" of tuition



2

Plans are flexible



3

Tax advantages



4

Anyone can open an account



5

Lock in future rates with a guarantee



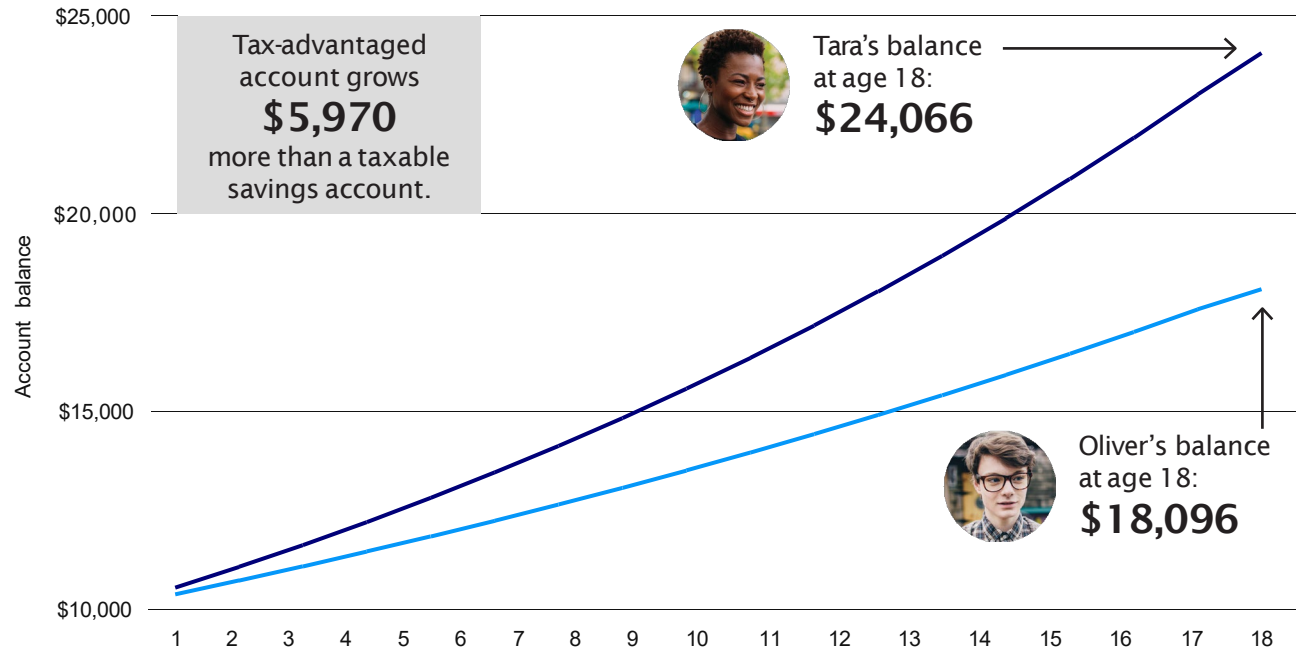
Tax-Advantaged Plans, Such as 529 College Savings Plans, Have Potential Benefits

Take a look at two families — Tara’s and Oliver’s — and how the different ways they save affected how much they had by the time Tara and Oliver were ready to graduate high school.

Source: Invesco, 2020. This hypothetical illustration assumes an initial investment of \$10,000 and a 5% annual rate of return. The taxable account assumes a 28% federal and 5% state tax rate. The illustration does not represent the performance of any specific account or investment and does not reflect any plan fees or sales charges that may apply. If such fees or sales charges were taken into account, returns would have been lower. Most recent data available.

Growth of \$10,000 of savings over 18 years

■ Tara’s family: Tax-advantaged account ■ Oliver’s family: Taxable savings account



Both Tara and Oliver’s families started with a \$10,000 balance in their accounts: Tara in a tax-advantaged 529 college savings plan and Oliver in a taxable account.

529 College Savings Plans: Estate Tax Planning Features

1. The gift-tax exclusion applies, provided the 529 account owner makes no other gifts to the beneficiary during a five-year period. Contributions between \$18,000 and \$90,000 (\$36,000 and \$180,000 for married couples filing jointly) made in one year may be prorated over a five-year period without subjecting the donor(s) to federal gift tax or reducing his/her federal unified estate and gift tax credit. If an individual contributes less than the \$90,000 maximum (\$180,000 for married couples filing jointly), additional contributions may be made without subjecting the donor to federal gift tax, up to a prorated level of \$18,000 (\$36,000 for married couples filing jointly) per year. Gift taxation may result if a contribution exceeds the available annual gift tax exclusion amount remaining for a given beneficiary in the year of contribution. If the account owner dies before the end of the five-year period, a prorated portion of contributions between \$18,000 and \$90,000 (\$36,000 and \$180,000 for married couples filing jointly) made in one year may be included in his or her estate for estate tax purposes. Please consult your tax and/or legal advisor for further guidance.

2. Non-qualified withdrawals from a 529 plan are subject to income tax and a possible 10% federal penalty on the earnings portion of the account. Earnings on non-qualified withdrawals may be subject to federal income tax and a 10% federal penalty tax, as well as state and local income taxes. Tax and other benefits are contingent on meeting other requirements, and certain withdrawals are subject to federal, state, and local taxes.

Beyond education savings, 529 college savings plans can help families leave a legacy

Key considerations

When considering whether to use a 529 plan in your estate plan, keep in mind the following key points:

Contributions

An individual may contribute up to \$18,000 a year (\$36,000 for a married couple) per beneficiary without triggering the **federal gift tax**.¹

Accelerated gifting

Special gift and estate tax treatment allows an individual to contribute up to \$90,000 (\$180,000 for a married couple) in one lump sum, per beneficiary, free of federal gift taxes (i.e., five times the annual gift tax exclusion), under a provision known as **“accelerated gifting.”**

Tax planning

For tax purposes, **the Internal Revenue Service considers assets held in a 529 college savings plan as a completed gift** and therefore treats them as the beneficiary’s assets and NOT the account owner’s.

Tax-free withdrawals²

529 college savings plan contributions and investment earnings may be withdrawn **federal income tax-free** if the money is used for Qualified Higher Education Expenses (QHEE).²

Control

The **529 college savings plan owner maintains complete control** over account assets and is allowed to make beneficiary changes or even discontinue the account and take the money back.²

Financial Aid: What You Need to Know

Financial aid helps fill the gap between what school costs and what students are expected to pay.

- 1 Many undergraduates receive some type of financial aid.
- 2 Aid is based on two factors: Student merit and financial need.
- 3 Parents' income is the most heavily weighted factor in determining financial aid.
- 4 Students are required to repay education loans (plus interest).
- 5 Grants and/or scholarships are "free money" —they do not need to be repaid.



Understanding Financial Aid

Important terminology.

FAFSA
Free Application
for Federal
Student Aid

- Helps to determine amount of federal aid families are eligible for.
- Used by many public, private, community, and vocational schools to calculate financial aid packages (the amount of aid — whether through grants, scholarships, or loans — offered by a school to a student).

COA
Cost of
attendance

- Reflects the cost of attending a specific school.
- Includes tuition, room, board, and related fees and expenses.

SAI
Student Aid
Index

- Index number used to determine a student's ability to pay for college and the amount of financial aid they can receive.
- Determined by FAFSA submission, not dependent on a specific school's COA.
- Keep in mind: SAI does not always reflect a family's actual ability to pay.

COA
Cost of attendance

-

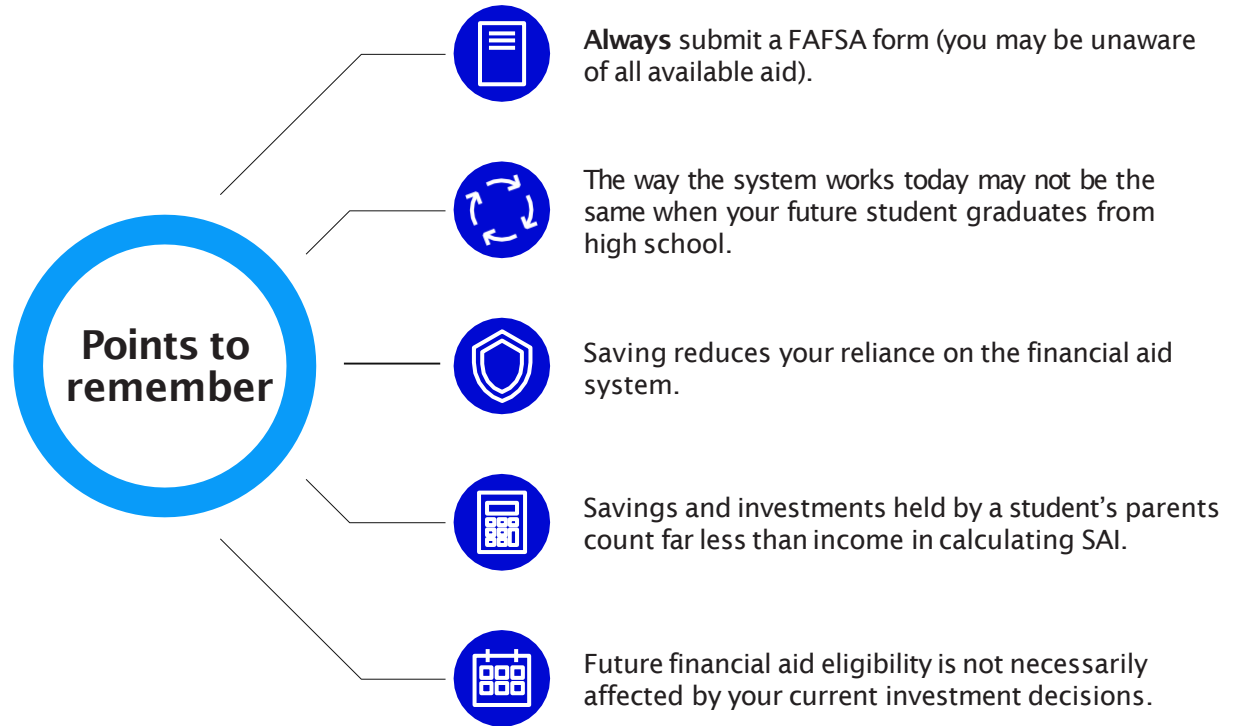
SAI
Student Aid Index

=

Financial aid eligibility

Maximizing Financial Aid

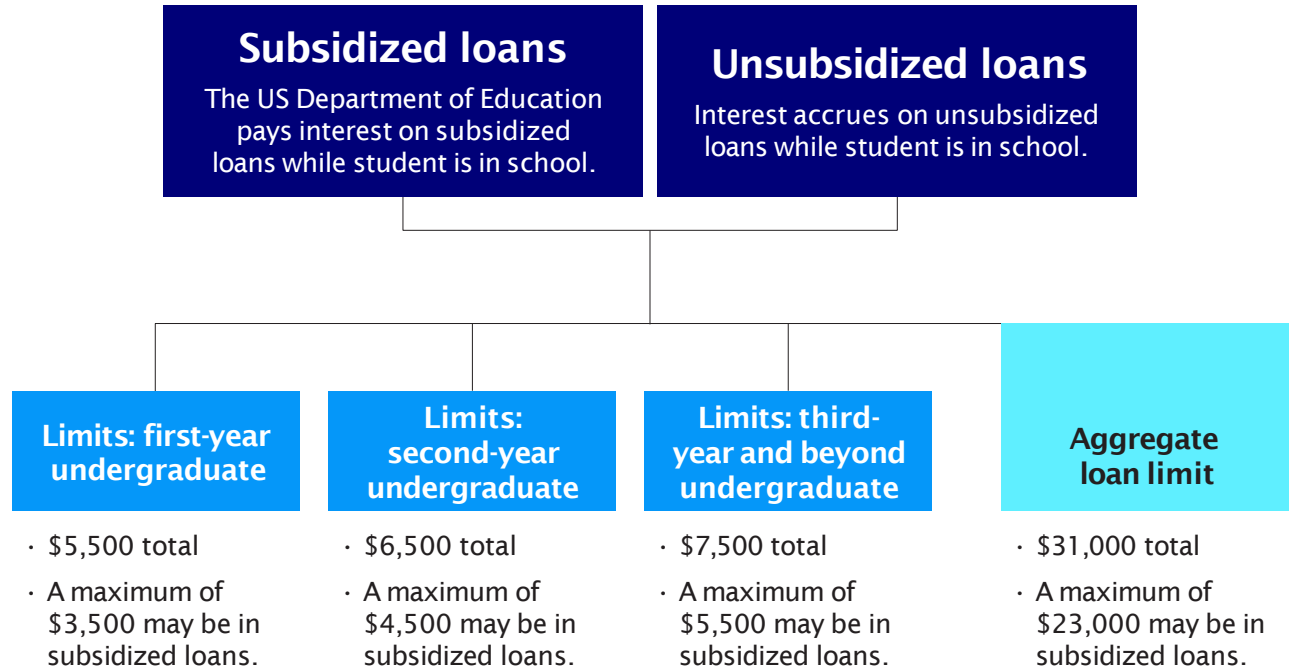
Keep these points in mind when applying for financial aid.



Source: Sallie Mae, "How America Pays for College," 2020. Most recent data available.

Federal Student Loans

Consider these points when applying for financial aid.



Source: StudentAid.gov. Loan information based on dependent student status. For illustrative purposes only. This does not apply to private loans. Individual private lenders will provide their own rules on limits.

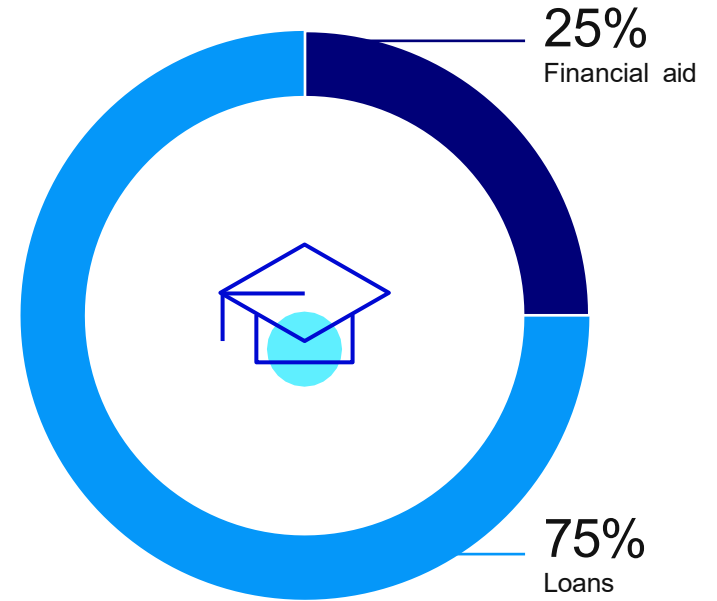
Student Loans

Loans can have a large impact on a student's financial future, so it's important to start building a savings plan early to minimize borrowing.

Loan-focused strategy

Oliver's family: Loan-focused education funding strategy.

Assume Oliver's education costs \$100,000. Relying on loans, Oliver's funding strategy may look like this:



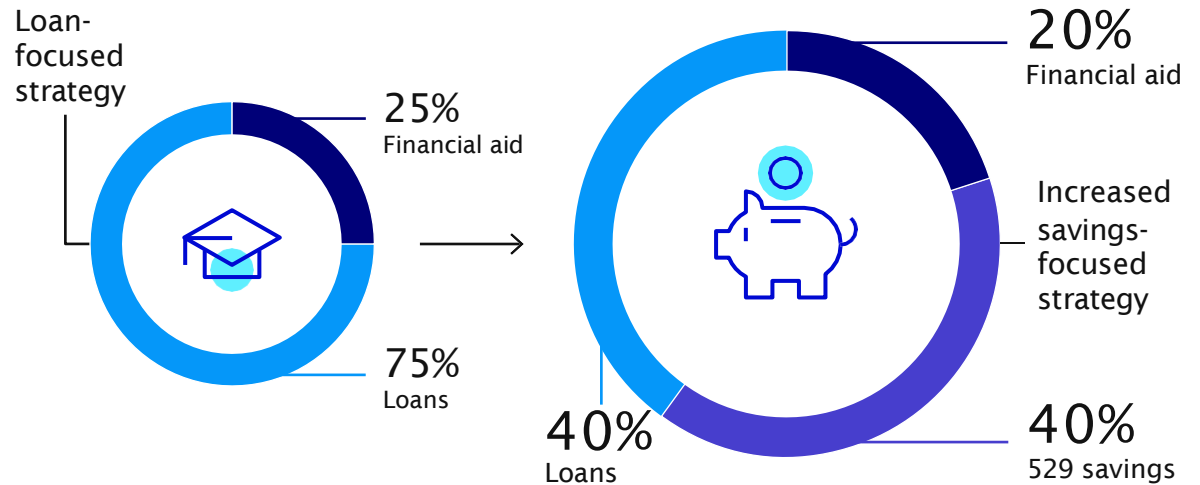
Saving Now Means Borrowing Less Later

Start now to help relieve the burden of debt.

Savings-focused strategy

Tara's family: Savings-focused education funding strategy.

Assume Tara's education costs \$100,000 and her family saved a portion of that in a 529 college savings plan. This reduced the amount of loans she would have to take but did not create a large reduction in the amount of financial aid received.



This chart is for illustrative purposes only.

Potential to Maximize Financial Benefits During and After

Putting money away now may help you — and your student — later.



1

Put money away now.



2

Money may grow if invested.



3

The more you save/invest now, the less your future student may have to find later.

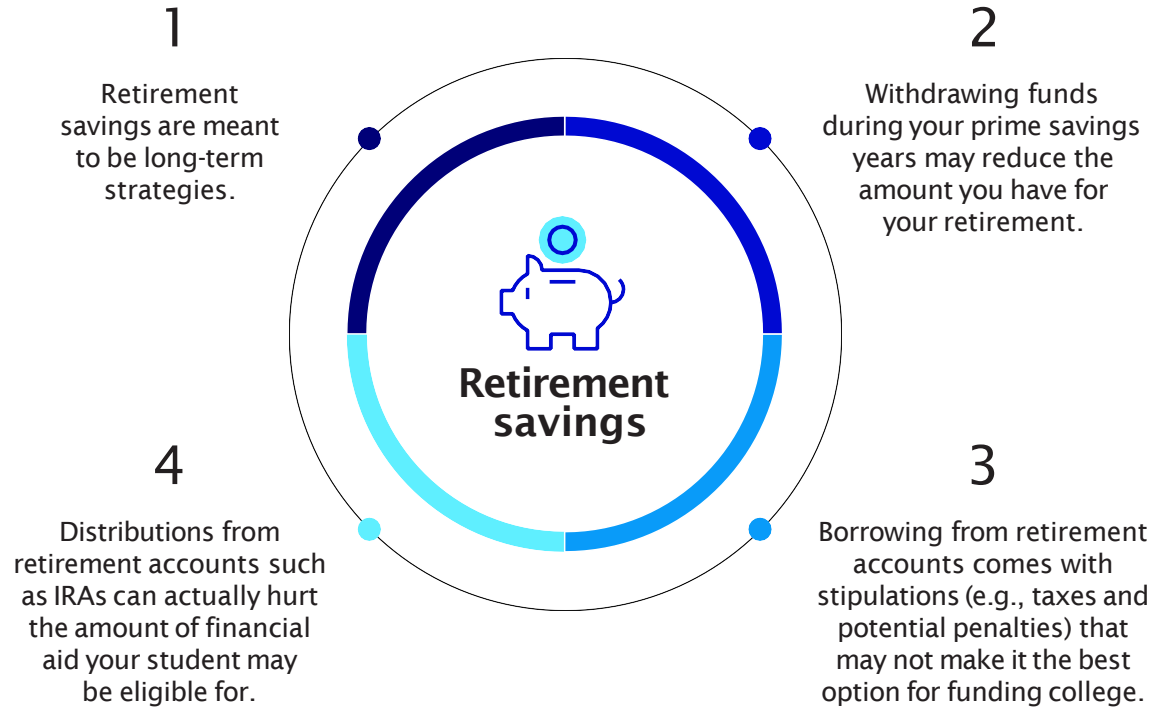


4

After graduation, your student may have less debt and can start their own savings earlier.

Retirement Savings Are Not Education Savings

Consider these four points before using retirement accounts to fund education expenses:

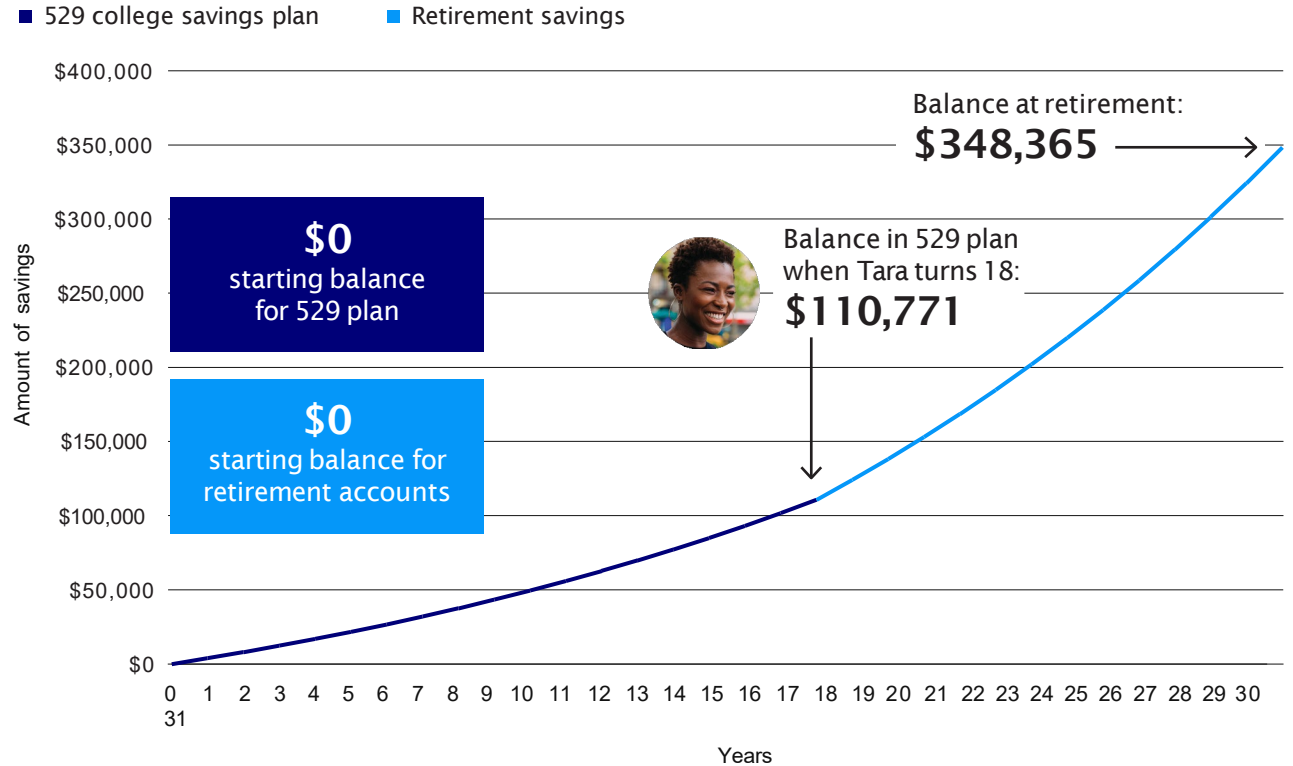


Saving for Both Education and Retirement Can Benefit in the Long Term

Take a look at Tara's family's strategy.

For illustrative purposes only.

Source: Invesco, 2020. This chart is for illustrative purposes only. These hypothetical illustrations do not represent the performance of any specific investment. Investment contributions are based upon an average annual contribution of \$7,500, with \$3,750 going into a 529 plan and \$3,750 going into retirement savings vehicles for years 0–18, then \$7,500 going into retirement savings vehicles for years 19–31. Growth is determined by a 9% annual rate of return. Systematic investing does not assure a profit and does not protect against loss in declining markets. Before investing, investors should evaluate their long-term financial ability to participate in such a plan. Most recent data available.



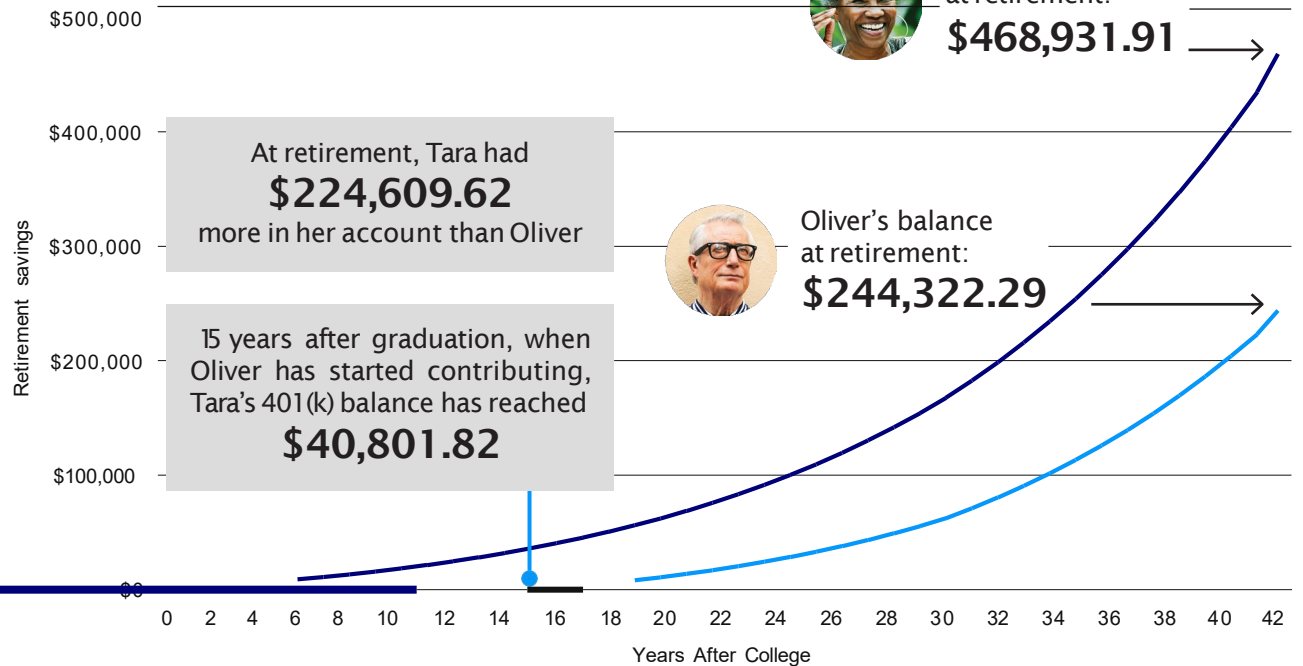
Education Savings Now May Lead to a More Comfortable Retirement

Putting money away now may help you — and your student — later.

Source: Invesco 2020. This chart is for illustrative purposes only. These hypothetical illustrations do not represent the performance of any specific investment. Retirement savings assumes \$5,000 in contributions per year with a 6% rate of return. Illustration is based off of loan repayments for each student. College costs represent four years of tuition and fees with a 4.5% inflation growth in cost each year. Starting salary for both individuals after graduation is \$40,000. Tara's payments represent 30% of her annual income devoted to loan payments, and Oliver's represents 50%. Most recent data available.

Growth of \$10,000 of savings over 18 years

■ 529 college savings plan saver, Tara ■ Non-529 plan saver, Oliver



Having a Plan Is Better Than No Plan

Putting it all together.



Understand your options

- There are many ways to go about saving for college.
- Some plans are built for college savings and have potential benefits in the financial aid process.



Maximize financial aid

- Understanding how financial aid works and the detriment to not saving can focus your plan on saving a little over time.



Review the costs before withdrawing from retirement accounts

- This may lessen your chance of a dignified retirement.



Care

How to care for
the plan and
help maintain
consistent
savings

Plan Features to Help Maintain a Consistent and Dedicated Savings Habit

Automatic investment programs (AIPs) allow for regular contributions directly to your account.

January				
1	2	3	4	5
8	9	10	11	\$
15	16	17	18	19
22	23	24	25	26
29	30	31		

February				
			1	2
5	6	7	8	\$
12	13	14	15	16
19	20	21	22	23
26	27	28		

March				
			1	2
5	6	7	8	\$
12	13	14	15	16
19	20	21	22	23
26	27	28	29	30

April				
2	3	4	5	6
9	10	11	12	\$
16	17	18	19	20
23	24	25	26	27
30				

May				
	1	2	3	4
7	8	9	10	\$
14	15	16	17	18
21	22	23	24	25
28	29	30	31	

June				
				1
4	5	6	7	\$
11	12	13	14	15
18	19	20	21	22
25	26	27	28	29

July				
2	3	4	5	6
9	10	11	12	\$
16	17	18	19	20
23	24	25	26	27
30	31			

August				
		1	2	3
6	7	8	9	\$
13	14	15	16	17
20	21	22	23	24
27	28	29	30	31

September				
3	4	5	6	7
10	11	12	13	\$
17	18	19	20	21
24	25	26	27	28

October				
1	2	3	4	5
8	9	10	11	\$
15	16	17	18	19
22	23	24	25	26
29	30	31		

November				
			1	2
5	6	7	8	\$
12	13	14	15	16
19	20	21	22	23
26	27	28	29	30

December				
3	4	5	6	7
10	11	12	13	\$
17	18	19	20	21
24	25	26	27	28
31				

For illustrative purposes only.

Saving a Little Can Save a Lot

Be diligent about saving a little bit for education savings.

Consider saving one coffee a day...or month...it adds up! Put that money directly into savings to take advantage of potential growth. Take a look at the growth potential if you invested the money in a 529 college savings plan, and it grew over 18 years...

1. Source: SavingForCollege.com. Weekly cost is based on a 5-day business week.

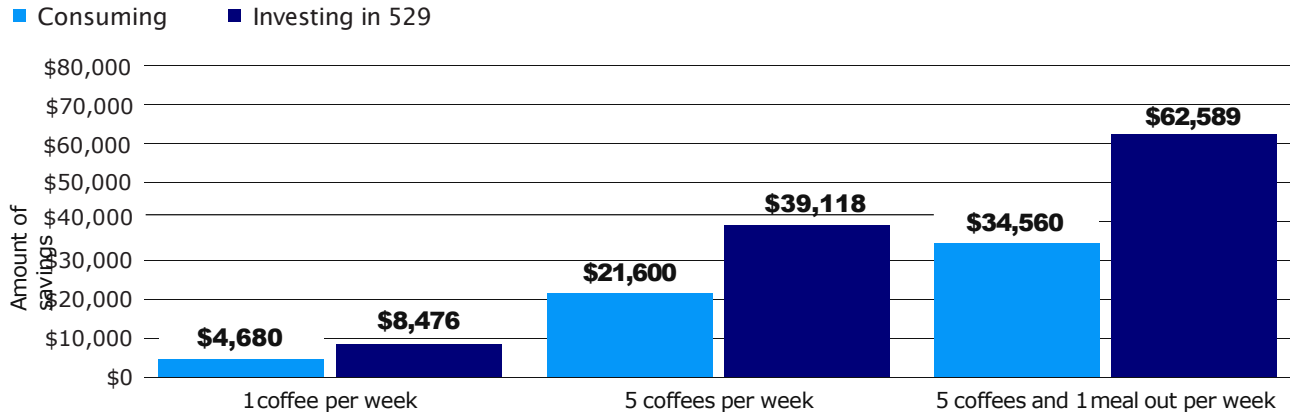
2. Source: SavingForCollege.com. This chart is for illustrative purposes only.

These hypothetical illustrations do not represent the performance of any specific investment. Estimated annual investment return of 6% each year for 18 years. Assumes \$5 for a cup of coffee and \$15 for dinner. Weekly cost is based on a 5-day business week.

How much they cost you...¹

Cost of a coffee		Cost of a meal out	
1 coffee per day	\$5	1 meal out per week	\$15
Weekly cost	\$25	Weekly cost	\$15
Monthly cost	\$100	Monthly cost	\$60
Yearly cost	\$1,200	Yearly cost	\$720
Over 5 years	\$6,000	Over 5 years	\$3,600
Over 10 years	\$12,000	Over 10 years	\$7,200
After 18 Years	\$21,600	After 18 Years	\$12,960

If you invested instead of consumed it...²

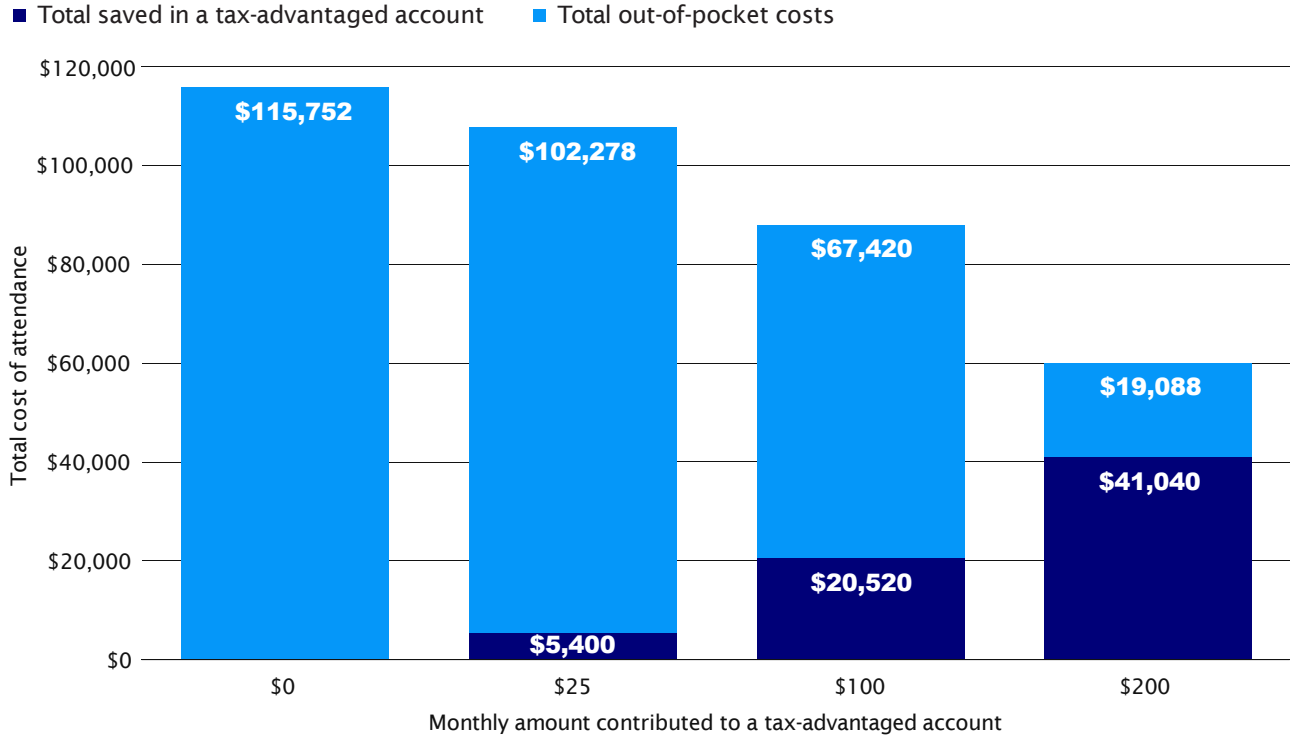


Any Amount Helps

Saving the entire tuition amount can seem daunting, but any amount you save will help reduce future student debt.

All four scenarios show out-of-pocket costs based on an estimated \$100,000 of a four-year college education at a public university. These scenarios also assume the receipt of approximately \$25,000 in financial aid, which will vary depending upon how much is accumulated in a tax-advantaged savings account. The loan portion of each column is calculated to include a fixed interest rate of 6.25% to be repaid over 180 months as defined by Sallie Mae (that's like paying off a 15-year mortgage) following graduation with 54 monthly payments of \$25 made during college. All savings in the tax-advantaged account depicted in this chart assume 5% monthly compounded growth from the beneficiary's birth until age 18. The hypothetical examples are for illustrative purposes only and do not predict or depict the performance of any specific investment. Actual results may vary.

Education costs, with and without savings

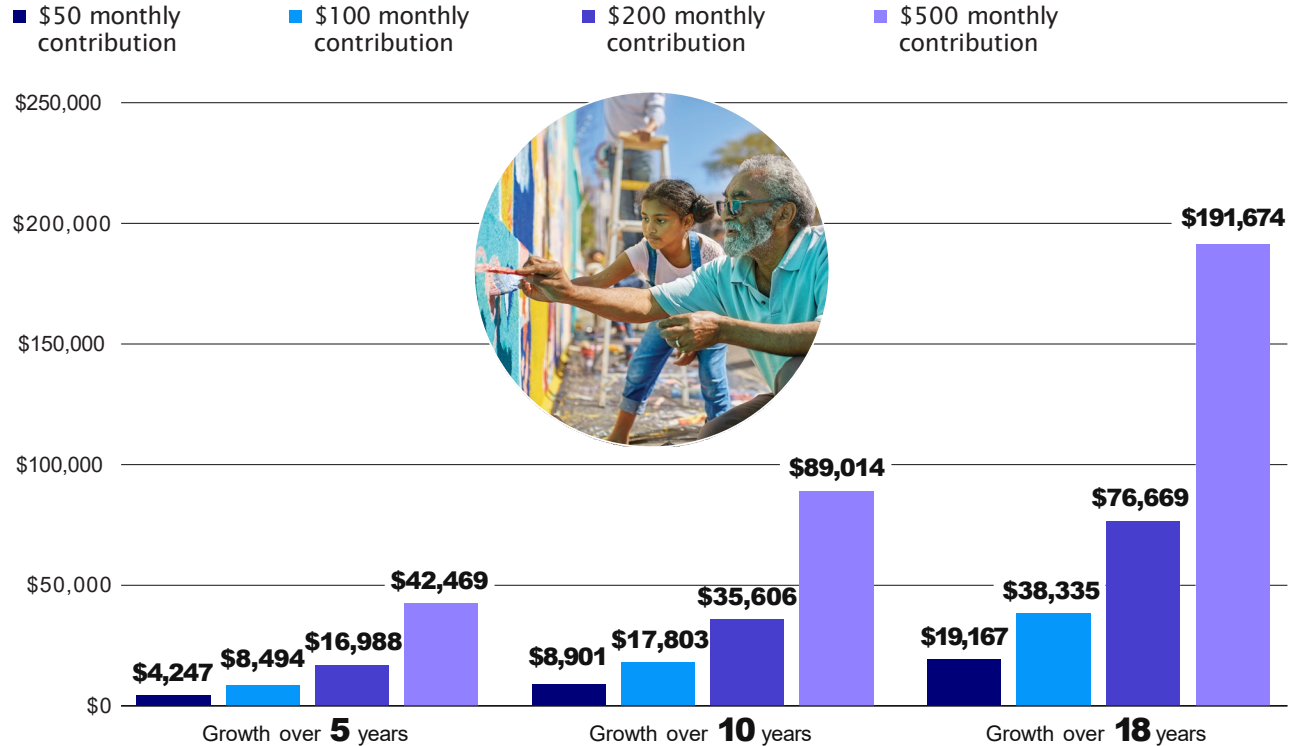


The Power of Compounding

Contributions — both large and small — may benefit from long-term compounding of growth.

This chart is for illustrative purposes only. These hypothetical illustrations do not represent the performance of any specific investment. Assumes 5% growth on account balances every year over 5, 10, and 18 years. Compounded growth is defined as multiplying the account balance of any given year by 1.05 to show growth. There is no compounded growth in the first year of contributions.

Hypothetical growth of contributions over time



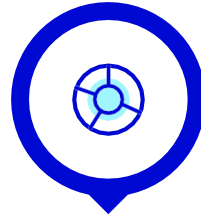
Investment Features to Help Your Savings Grow

Understanding the different ways money can be invested.



Age-based portfolios

Use your beneficiary's age to build a portfolio that automatically adjusts to become more conservative over time as the student approaches high school graduation.



Risk-based

Based on your preferred risk tolerance, you have the ability to choose whether you want to take on more or less stock exposure.



Individual investments

A variety of fund portfolios with varying risk levels are available for you to choose and build your own portfolio.

Care for Your Educational Savings Plan and Help It Grow

Putting it all together.



Saving, even a little, over time may make a difference in the long run

- Being able to put a little bit away over time can add up with investing benefits such as compound growth.
- Features such as automatic investing can help you budget and put a regular amount away.



Understanding your investment options can help

- Understanding the ways your money can be invested may help you make more informed decisions and may make your money go further.



Act now! Plan smart!

- Once you have a plan in place you are comfortable with, do not delay in getting started. The more you save now, the less you may need to borrow later.

Disclosures

Diversification does not guarantee a profit or eliminate the risk of loss.

This information is provided for general educational purposes only and is not to be considered legal or tax advice. Investors should consult with their legal or tax advisors for personalized assistance, including information regarding any specific state law requirements.

The opinions expressed are those of the author and are subject to change without notice. These opinions may differ from those of other Invesco investment professionals.

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