

CollegeBound 529





The impact of student loans



When planning for college, the option of student loans often comes up, especially if anyone involved has a “pull yourself up by your own bootstraps” mentality. But before signing the dotted line, it’s important to look at the impact that student loans can have on a family’s or student’s financial future, such as postponing buying a house or saving for retirement.

A college education today costs, on average, \$21,340 per year for an in-state, four-year public school¹, which totals more than \$85,000 for four years. Below, we look at three different scenarios for paying that \$85,000 bill:

Would you rather pay interest or earn interest?

Scenarios	Planning a debt-free education	Saving half and financing the rest	Financing tuition with student loans
			 
	A multi-generational family pooled their resources to invest \$220 a month for 18 years to pay the college bill in full.	Many families take a combined approach. This family invested \$110 a month to cover half of the college bill. The student financed \$42,680, repaying \$441 a month for 10 years.	An independent student financed her \$85,000 education 100% with student loans. She will repay \$883 monthly for 10 years.
	Debt: \$0	Debt: \$53,154	Debt: \$106,307
Investments			
Monthly investment:	\$220	\$110	-
Years:	18	18	-
Growth rate:	6%	6%	-
Total invested:	\$47,600	\$23,800	-
Future value:	\$85,000	\$42,680	-
Loan			
Loan amount:	-	\$42,680	\$85,360
Interest: ²	-	4.53%	4.53%
Years of repayment: ³	-	10	10
Monthly payment:	-	\$443	\$886
Loan total:	-	\$53,154	\$106,307
Totals			
Out-of-pocket: ⁴	\$47,600	\$76,954	\$106,307
	By borrowing \$85,000 to pay for college, the independent student will pay \$106,307. That’s \$58,707 (or 123%) more than the family that saved and invested. It’s not hard to understand why almost one-third of Millennials (18- to 34-year-olds) are still living with a parent!		

Borrowing \$85,000 to pay for college could cost you 123% more than saving.

Source: Invesco; This hypothetical example and estimate of a 6% average annual total return is for illustrative purposes only and is not intended to represent the actual performance of any particular investment product or real investor. Your actual return isn’t likely to be constant from year to year, and there is no guarantee that a specific rate or return will be achieved.

A future full of potential

With the help of CollegeBound 529, a debt-free education doesn't have to be out of reach. It's never too early - or too late - to create a legacy for the next generation.

Would you rather pay interest or earn interest?

- + **Availability:** No account minimum is required to get started.
- + **Cost-conscious design:** Lower expenses keep more of your savings hard at work.
- + **Tax advantages:** Earnings growth is deferred from federal and state income taxes.⁵
- + **Control:** Account owners maintain control of the timing and amounts of withdrawals.
- + **Flexible investment menu:** Easy-to-use options include age-based portfolios, target-risk portfolios and individual portfolios.

Invesco has a long, rich history of helping investors achieve their goals. CollegeBound 529 strives to help Americans realize their dream of a college education for their children. Contact your financial advisor or visit CollegeBound529.com to learn more about saving for college for your loved ones.

1 Source: Ascensus/College Savings Planner. Sept. 30, 2017. Most recent data available.

2 Source: <https://studentaid.ed.gov/sa/types/loans/interest-rates>, "Interest Rates for Direct Loans First Disbursed on or After July 1, 2019" states 4.53% is the interest rate for Direct Subsidized and Direct Unsubsidized loans for undergraduate school. The information is as of Oct. 10, 2019, interest rates for federal student loans are determined by federal law and can change.

3 Source: studentaid.gov, Overview of Direct Loan and FFEL Program Repayment Plans section states the standard repayment plan is 10 years.

4 Out-of-pocket = total invested + loan total.

5 Rhode Island taxpayers who are account owners and contribute to a CollegeBound 529 account are eligible for a deduction in computing state income tax for contributions made to CollegeBound 529 of up to \$1,000 for married couples filing jointly and \$500 for individual filers. Subject to certain conditions and requirements, contributions in excess of the annual limit can be carried forward and deducted in future years. If a participant makes a non-qualified withdrawal or certain transfers/rollovers to another state's program, the amount of the deduction may be "recaptured" and included in the account owner's Rhode Island income. Check with your tax advisor to see how 529 plans are treated for income tax purposes.

NOT FDIC INSURED MAY LOSE VALUE NO BANK GUARANTEE

Before you invest, consider whether your or the beneficiary's home state offers any state tax or state other benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in that state's qualified tuition program. For more information about CollegeBound 529, contact your financial advisor, call 877 615 4116, or visit www.collegebound529.com to obtain a Program Description, which includes investment objectives, risks, charges, expenses, and other important information; read and consider it carefully before investing. Invesco Distributors, Inc. is the distributor of CollegeBound 529.

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