

SAVING FOR COLLEGE

College education can be one of the most important investments a person can make for their financial future. According to the U.S. Bureau of Labor Statistics, a college degree produces 66% higher average income than a high school diploma and college graduates experience over 77% less unemployment than a high school graduate.¹ However, college costs can be very high, and they are rising. With the average college degree taking over four years to complete, college costs can be a huge financial commitment. Thankfully, there are a number of ways to plan for higher educational costs.

529 plans

529 plans are state-sponsored savings plans that provide tax-free investment growth for educational expenses. In addition to these tax benefits, you may also be able to deduct contributions to a 529 plan from your state taxes.

Here's how a 529 plan works. An individual opens an account for a stated beneficiary. You can open an account directly with the 529 provider (usually online) or work with an investment professional. Once the account is established, you can invest after-tax money, typically in mutual funds, for the benefit of the beneficiary.

- Contribution limits are state specific and may be in excess of \$500,000 but cannot exceed the cost of a beneficiary's education.
- Contributions in excess of \$19,000 annually may trigger gift taxes.
- Assets in the 529 plan grow tax-free for qualified education expenses.
- In the case of K-12 education, up to \$20,000 per year could be withdrawn for school tuition tax-free.
- 529 plans are flexible and do permit the changing of beneficiaries in case education plans change.

AT A GLANCE

Saving for college may be easier than you think

A college education can be one of the best investments you can make for yourself or help someone else achieve. There are a variety of savings vehicles to make it easier.

Key facts

- The sooner you start the better. Even small contributions can add up quickly.
- 529 Plans are state sponsored plans that provide tax-free investment growth for educational expenses. Any non-educational distributions may face taxes and penalties.
- UTMA/UGMA accounts, provide an opportunity for adults to place investments in an account under a child's name. Once eligible, these assets become available to the child and can be used for any reason.
- Traditional and Roth IRAs allow for penalty free distributions to pay for educational expenses, but taxes may still apply.
- Coverdell Education Savings Accounts are savings accounts that are set up to pay for qualifying education expenses of a designated beneficiary.

We're here to help

Associated Bank's Customer Care Team is available to answer questions regarding your retirement savings account at 800-431-4649. For specific guidance or advice regarding saving for college, please seek the expertise of a Financial Advisor or one of the many reputable on-line resources such as [finaid.org](https://www.finaid.org), [savingforcollege.com](https://www.savingforcollege.com) or [IRS.gov](https://www.irs.gov)

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1. U.S. Bureau of Labor Statistics, Current Population Survey. "Earnings and unemployment rates by educational attainment, 2023", Employment Projections, U.S. Bureau of Labor Statistics, https://www.bls.gov/emp/images/ep_chart_001.png

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SAVING FOR COLLEGE (CONT.)

- 529 assets may be considered assets for financial aid calculations.
- All non-educational distributions would have tax and penalty implications (income tax and a 10% IRS penalty on investment gains only).

UTMA/UGMA accounts

Uniform Transfer to Minors Act (UTMA) or Uniform Gifts to Minors Act (UGMA) accounts provide an opportunity for parents to place investments (stocks, bonds, mutual funds and cash) in an account under the child's name. Depending on which state you live, you will have either a UTMA or a UGMA available to you.

An adult serves as the custodian of this account and would manage the account for the best interest of the child. Any growth or income in the account would generally be taxed at the child's tax rate, but this is not always the case so be sure to consult with a tax advisor. The amount invested is an irrevocable gift to the child. As such, when the child attains the age of majority in his or her state of residence, these assets become available to the child and can be used for any reason. These assets are considered assets of the child for financial aid calculations which generally has the greatest negative impact for financial aid purposes. UTMA or UGMA accounts can be opened through a Financial Advisor. Banks, brokerages, mutual fund companies, or other financial services firms, may also offer UTMA or UGMA accounts.

IRAs

Individual Retirement Accounts (IRAs) are designed to provide an opportunity for individuals to save for their retirement. IRAs, however, do permit distributions for higher education expenses. While traditional IRAs and Roth IRAs have tax implications and IRS penalties for most distributions made before 59.5 years of age, qualifying higher educational expenses are an exception to this rule. Both Roth and traditional IRAs permit penalty free distributions for higher education expenses. Any distribution that includes pre-tax contributions or investment gains would be subject to ordinary income tax. IRAs are not included in financial aid calculations.

Contribution limits for Traditional IRAs and Roth IRAs are \$7,500 for individuals less than 50 years of age and \$8,600 for individuals 50 years of age or older. While Traditional IRAs do not have any income limitations, Roth IRA's do. For 2026, the ability to contribute to a Roth IRA begin to phase out for single tax filers with \$153,000 (\$242,000 for married filers) in annual income.

You can establish an IRA through banks, brokerages, mutual fund companies or other financial services firms.

Coverdell Education Savings Accounts

Coverdell Education Savings Accounts are savings accounts that are set up to pay for qualifying education expenses of a designated beneficiary. They can be established at any bank or other IRS-approved entity and are available for beneficiaries under 18 years of age or with special needs. Contributions are limited to \$2,000 per year per beneficiary, no matter how many individuals contribute to the plan. Contributions to Coverdell Education Savings Accounts begin to phase out for individuals making \$95,000 (\$190,000 if married and filing jointly). Assets in a Coverdell Education Savings Account grow tax-free and can be used for qualifying primary, secondary and post-secondary education. Coverdell assets are considered assets of the student, if owned by the student or assets of the parent if owned by the parent when it comes to financial aid calculations.

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SAVING FOR COLLEGE (CONT.)

How to get started

The information in this educational flyer is not an all-inclusive list of resources you can utilize when it comes to funding education. We recognize that navigating the different paths one can take to finance college can be a daunting task, but there are many excellent resources that can help you through the process. High school guidance counselors and college or tech school financial aid representatives may be able to provide additional information about potential financial aid, work-study, internships, scholarships and other opportunities to assist with financing the cost of education. Websites such as finaid.org, savingforcollege.com or IRS.gov can all provide valuable information as well.

The key to any future expense is to plan ahead and save. The sooner you start the better. Any savings will help get you one step closer to achieving your goals.

The information above does not provide a complete picture of all the resources available to you. Each savings program will have unique features. All limits previously described are based upon 2026 information. Please consult an investment professional, investment provider or tax professional for additional details or guidance.



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