Financial Wellness
& Education

Funding education

Creating a college investment plan

College, for most Americans, remains accessible, especially in light of the financial aid, loans, tax benefits and investment opportunities that are available. But in order to ensure that your child can afford to attend college, it's vital to establish a well thought out college investment plan.

Parents must come to grips with a stark reality—sending a child to college is expensive.

Never too soon to start saving

Because the financial challenge of paying for college is so great, it's best to start building a fund early. If you start saving when your child is still a toddler, you can choose to be somewhat more aggressive and also put the power of compounding on your side. Mutual funds, annuities and cash value life insurance have traditionally served as college funding vehicles. Newer products offering unique tax advantages, such as Education Savings Accounts and 529 College Savings Plans, have also emerged as popular investment vehicles for individuals saving for college. To begin your investment program, it's best to sit down with a financial professional to decide what products are best for you. Based on your personal financial situation, risk tolerance and specific needs, your Representative can recommend an investment mix to help you reach your education goals.

Take advantage of systematic investing

Many people find that setting aside a fixed amount of money on a regular basis is a habit that pays off when saving for college. Foresters Financial Services, Inc. offers convenient systematic investment programs that electronically transfers a fixed amount periodically from your bank account or paycheck into an investment account, such as a mutual fund. The regular investment of even small amounts into your account can allow its value to become quite significant over time. However, systematic investing cannot guarantee a profit nor protect against a loss in declining markets. Since this strategy depends on continuous investment regardless of fluctuating price levels, you should consider your ability to continue making investments through periods of low price levels.

Consider tax-advantaged strategies

A smart way to grow assets for college is to place a portion of your portfolio into tax-advantaged vehicles. Fortunately, there are several ways to benefit from tax advantages:

Education Savings Accounts–Formerly known as Education IRAs, Education Savings Accounts (ESAs) offer the potential for tax-deferred growth and tax-free withdrawals. ESAs offer a great deal of flexibility because money in an ESA can be used well before college. In tax-free as early as kindergarten to pay for a wide range of qualified expenses fact, money in an ESA can be withdrawn equipment. Plus, the individual who opens the account maintains direct control over the underlying investments. There is a yearly contribution limit of $2,000 and income limitations may leave some people unable to

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participate, but the flexibility of an ESA makes it a great choice for many people concerned about the rising costs of education.

529 College Savings Plans*–These state-sponsored investment vehicles are among the most attractive college planning tools on the market. Individuals can open a 529 plan account for any beneficiary, including themselves, and enjoy tax-deferred growth and tax-free withdrawals for qualified higher education expenses such as tuition, books and room and board at any accredited institution. There are no income limitations and individuals may use five one-year gift credits at the same time, meaning an individual can make a contribution of $65,000 once every five years free of gift tax implications.

The person opening the account chooses from a range of investment options, including an "age-based" option that automatically changes the asset allocation as the child nears college age. The contribution limits vary from state to state, but in some cases, the account balance is allowed to reach more than $300,000 before contributions are no longer allowed. And even then, earnings in the account will continue to grow tax-free.

UGMA/UTMA–Under the Uniform Gifts to Minors Act (UGMA) or Uniform Transfers to Minors Act (UTMA) custodial accounts may be opened for the benefit of minors. This arrangement shifts all or part of the investment earnings (the amount depends upon the child's age and the amount of earnings) to the child's tax rate, which is usually less than that of the parents.

*529 Plans are subject to certain risks, charges and expenses that must be considered when selecting a college savings plan.

Evaluate Your Options

To supplement your college funding programs, you can consider several of the following sources:

Borrowing–Federal and state loan programs with below-market interest rates are available to qualified borrowers. In addition, you may want to take advantage of your own private sources of lower cost loans. Many 401(k) plans offer loan provisions, as do most cash value life insurance policies. Of course, taking a loan against these accounts hinders their growth, and might have other ramifications. For these reasons, it is prudent to establish a plan to repay these loans in full.

Financial aid–Federal and state government grants are generally limited to lower and moderate income families. In addition, many colleges offer a variety of financial aid programs to attract top students such as merit scholarships, talent grants, honor scholarships, athletic scholarships and many others. Also, financial aid is available from private organizations such as employer, religious denominations, clubs and unions. Most high school college advisers can provide additional details.

Grandparents—Most grandparents would like to leave a lasting legacy to their grandchildren. By making contributions to their grandchildren's college fund, especially a 529 Plan account, they can have the satisfaction of helping someone they love while avoiding costly gift taxes, as well as potentially reducing estate taxes.

Your child–By contributing to their own college fund, children can learn a valuable lesson about the responsibilities of saving and investing. They can make small yet steady contributions from the money they receive from allowances, gifts and part-time and summer jobs. Once they're on campus, students can look into paid internships which will not only help defray college costs, but also give them valuable real world experience in their chosen field.

Benefit from our experience

Foresters Financial Services, Inc. provides everyday families and individuals with financial solutions, guidance and tools, to meet their needs across all life stages. Our Financial Representatives offer personalized service combined with a solid, long-term approach and fresh thinking to help you:

- Save and invest for retirement, education and other life events
- Create retirement income strategies
- Protect the ones you love
- Plan your legacy

Together, we can help you achieve financial and family well-being—now and tomorrow, this generation and the next.

Neither Foresters Financial nor its Representatives offer tax, legal or estate planning services. Clients should contact their personal tax and legal advisers for any advice about tax-related investment decisions, estate planning or gifting.

The information contained herein is not intended as a recommendation of a specific security or investment strategy. Rather, it is intended to be general and informational in nature. Speak with your Representative to discuss your specific situation and financial goals.

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Foresters Financial | 40 Wall Street | New York, NY 10005 | 800 423 4026 | forestersfinancial.com

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