

# COLLEGE SAVINGS PROGRAM CHECKLIST

Here are a few of the many questions you should ask about any college savings option before investing:

- What is the impact of financial aid? Is it treated as an asset of the parent (5.5%) or the child (35%) during needs analysis or as a resource (100%)?
- What are the tax advantages of the plan? Do earnings grow tax-deferred? Are withdrawals tax-free? What are the gift tax and estate tax implications? Are contributions to the plan tax deductible? What is the federal, state, and local tax treatment? Are state tax benefits restricted to the state's own plan, or does the state offer reciprocity to other state plans.
- What are the fees? Is there an enrollment fee or sales charge? What are the annual expenses (management fees)? Is there a redemption fee or a back-end sales charge?
- Are there annual and cumulative contribution limits? What is the maximum investment?
- What is the minimum investment?
- Is the return on investment guaranteed? If not, ask for historical return data, but remember that past performance is not necessarily indicative of future earnings. If the return is guaranteed, who is making the guarantee? Is it backed by the full faith and credit of the state, the federal government, the Federal Deposit Insurance Corporation (FDIC) or some other entity?
- Does the plan offer age-based, risk-based and protected principal investments?
- Does the plan offer an investment that has returns indexed to increases in tuition or inflation? Is the return based on actual tuition increases, state average increases, the increases at a specific school (e.g., the most expensive public college in the state) or a projected increase?
- What is the historical return on the investment options? Is the plan likely to continue with a similar return on investment in the future?
- Which investment firm manages the plan? Do they have a good reputation?
- Can you change the investment strategy? If so, how frequently?
- What happens if the child decides to not go to college?



- What happens if the child receives a scholarship from the school?
- What happens if the child dies or becomes disabled?
- Can you change the beneficiary? Are there any restrictions on who can become the new beneficiary? Is access to the savings controlled by the account owner or the student? Are there any restrictions on how the money can be spent?
- What are the payment options, such as lump sum, monthly installment, charging a credit card, payroll deduction and electronic funds transfer?
- Who is eligible to participate in the plan? Must the student (or a parent) be a state resident? What if you move out of state? What happens if the family moves out of state but the child still attends a participating school?
- Who can make contributions to the account? Can grandparents and friends of the family contribute, or just the parents?
- Which schools participate in the plan? Do I have to name a particular school or set of schools when opening an account?
- What happens if the child goes to an out of state school? If the program is limited to public colleges, what happens if the child attends a private college?
- Are there any age restrictions? Are there age restrictions on when you can open an account (i.e., before the ninth grade) or when you can contribute (i.e., until age 18)? Are there age restrictions on when the funds must be used (i.e., until age 30 or until 10 years after high school graduation)?
- What expenses does the plan cover? Does it include just tuition and fees or does it also include room and board? Can you use the plan for non-included expenses, and if so, what are the penalties?
- Can the investment in the plan be canceled? If so, how is the amount of the refund calculated?
- How do you redeem the plan or withdraw funds when your child matriculates in college?
- Are there any restrictions on using the plan with other forms of financial aid, such as the tax benefits for education?
- Are there any other restrictions on the plan?