

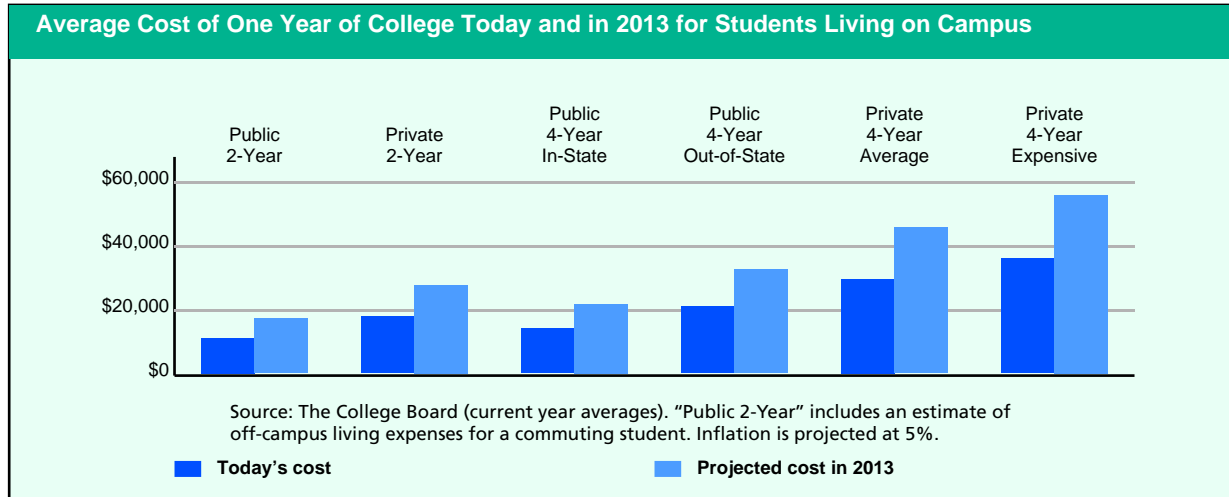
Education Funding Planner

June 14, 2004



Your Education Funding Planner

Planning for education funding starts with making a reasonable estimate of the future cost of the education you envision for your children. Take a look at the current average costs of education, projected to the year that education costs would begin, when Sara enrolls in college.



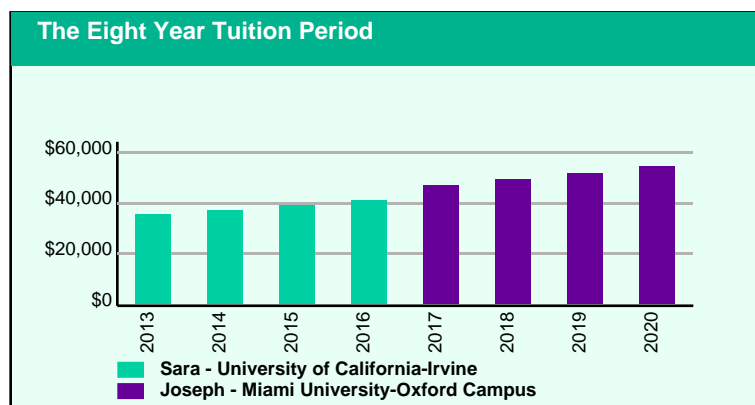
Your Family's Plans

Your daughter Sara is 9 years old. For the purposes of this Planner, you hope she will attend University of California-Irvine for four years, beginning in the year 2013, where the estimated annual cost is \$22,662 in today's dollars. There is \$5,000 set aside for college. \$1,980 a year is added to this child's education fund.

Your son Joseph is 5 years old. You hope he will attend Miami University-Oxford Campus for four years, beginning in the year 2017, where the estimated annual cost is \$24,784 in today's dollars. There is \$3,500 set aside for college. \$1,980 a year is added to this child's education fund.

The total education fund is \$8,500 today.

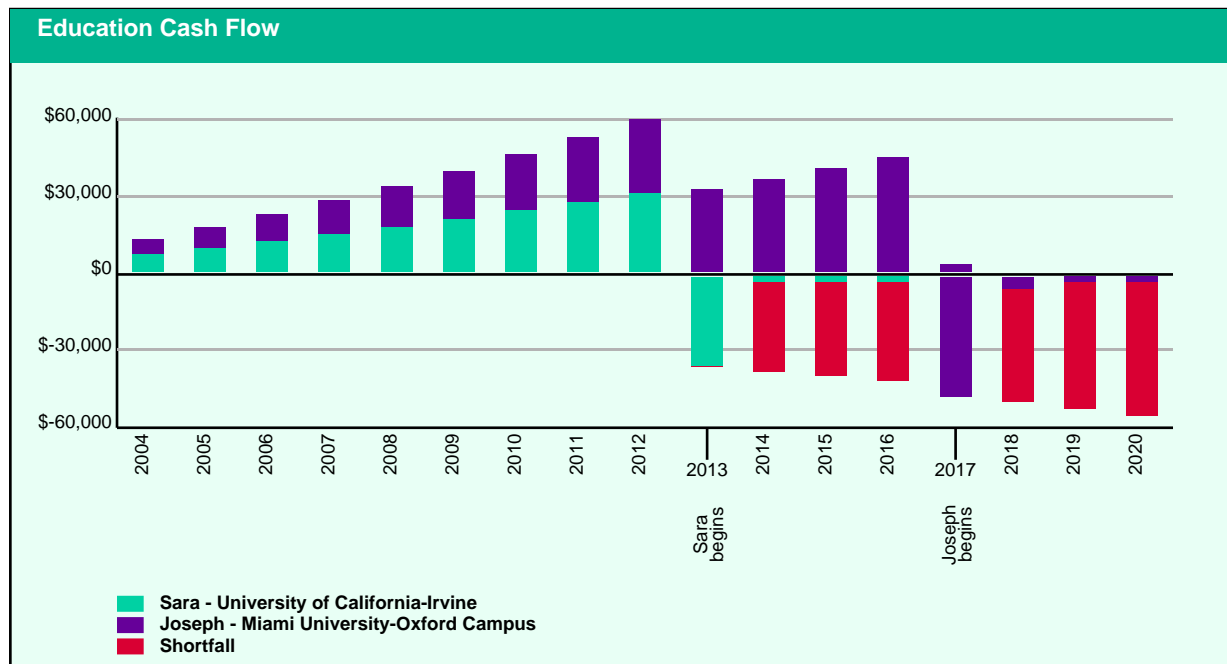
In summary, there are 9 years until the first tuition bill and 8 years of attendance to pay for. Using a 5% rate of inflation, we project that total education costs for both children will run about \$352,900.



Annual Savings and Tuition Summary

The chart below illustrates year-end totals for the entire period, cumulatively and child by child, of projected savings balances, withdrawals, and shortfalls.

- Year-end balances of your savings lie above the base line marked “\$0.”
- Withdrawals and shortfalls, corresponding to each student’s tuition period, lie below it.
- Shortfalls are shown in red.



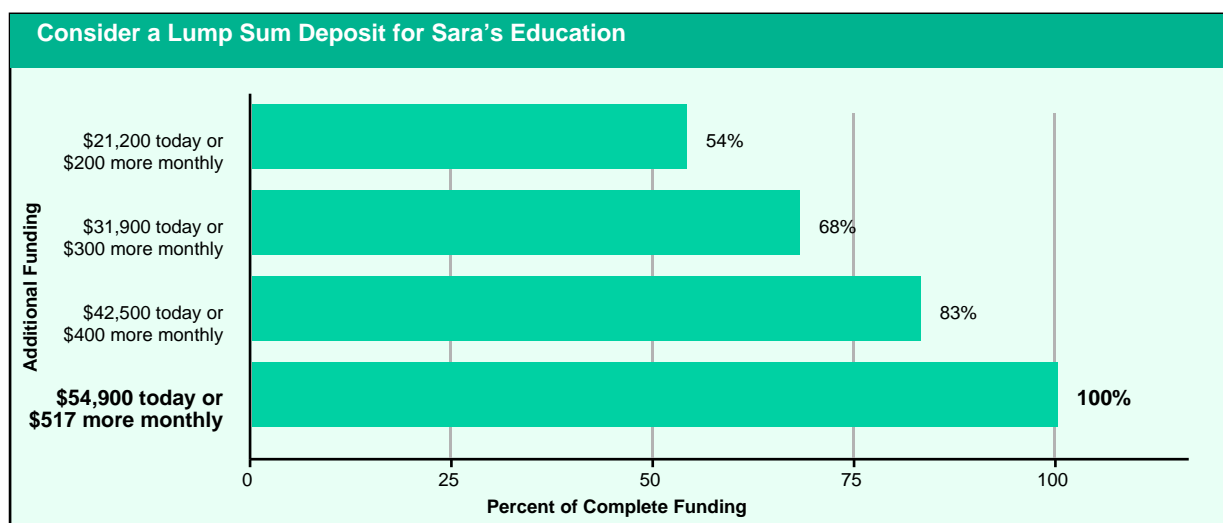
Next, the Education Funding Planner will examine the funding challenge for each student. It calculates what percentage of the projected total cost the present account will fund and the dollar amount needed today, or the monthly equivalent, to fund the gap.

Funding for Sara

Sara will need \$151,500 to pay for college. Her account is projected to have only 27% of the amount she needs.

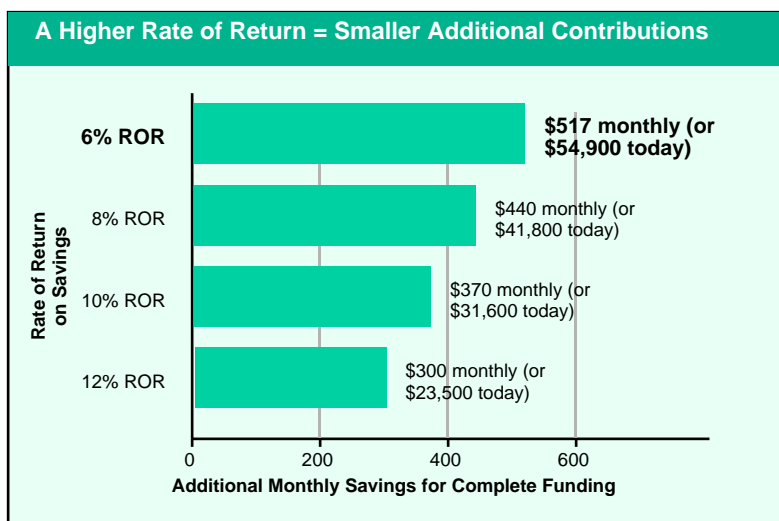
- At a 6% rate of return, her shortfall of \$110,500 could be covered by **investing an additional \$54,900** today.
- Alternatively, **investing an additional \$517 monthly** for thirteen years would fund Sara's shortfall (total monthly investment = \$682).

You may want to target a certain percentage of the total funding challenge as *your* goal.



Achieving a higher return could make it possible to increase your investment by a smaller amount per month and still accumulate the college fund Sara needs.

Strategies aiming at higher rates of return also entail more investment risk. Investors may not be able to achieve the rates of return shown.

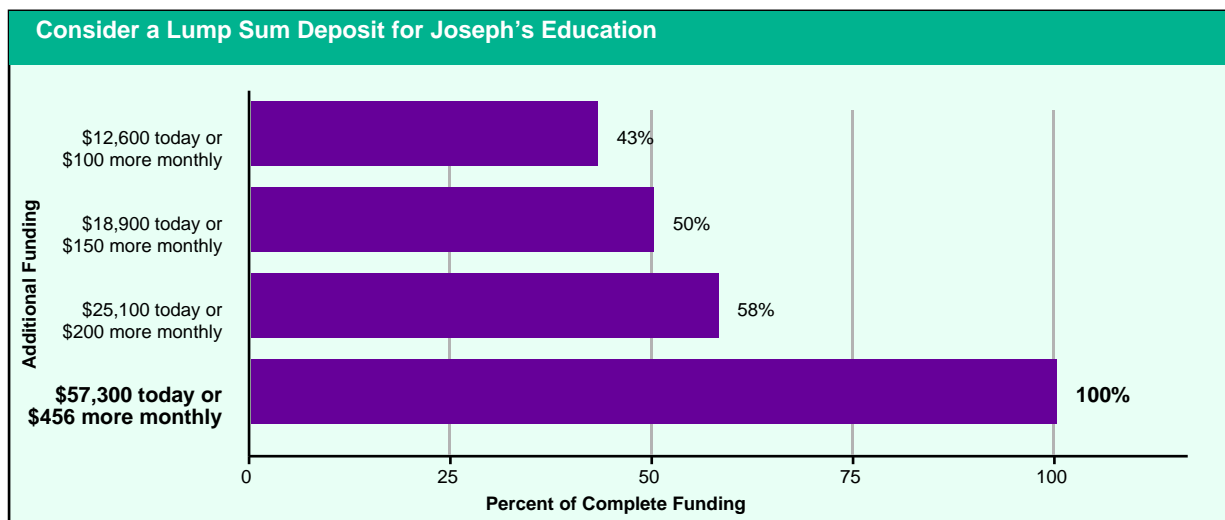


Funding for Joseph

Joseph will need \$201,400 to pay for college. His account is projected to have only 28% of the amount he needs.

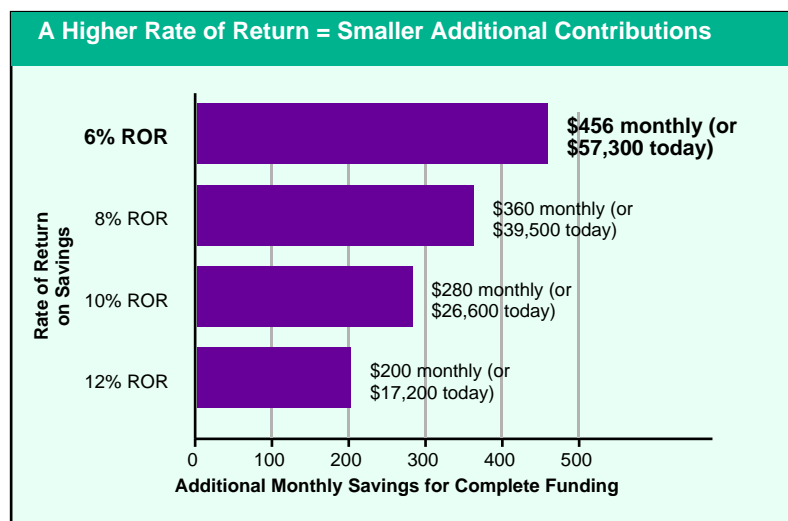
- At a 6% rate of return, his shortfall of \$145,800 could be covered by **investing an additional \$57,300** today.
- Alternatively, **investing an additional \$456 monthly** for seventeen years would fund Joseph's shortfall (total monthly investment = \$621).

You may want to target a certain percentage of the total funding challenge as *your* goal.



Achieving a higher return could make it possible to increase your investment by a smaller amount per month and still accumulate the college fund Joseph needs.

Strategies aiming at higher rates of return also entail more investment risk. Investors may not be able to achieve the rates of return shown.



Education Funding Planner Perspective

These projected costs and calculations for Sara and Joseph suggest a number of strategies for possible implementation, either now or at a future time. A 529 account could be beneficial for them and for you.

It is never too late to add to college savings. Having an education fund expands a student's college selection and financing options. Compound growth is beneficial, even over a relatively short period of time. Windfalls, such as an inheritance, the exercise of stock options, or the sale of property, may enable you to add a lump sum to the college accounts in the future, which will give your savings a boost.

Keep in mind that you do not have to save all of the money needed for college before college begins. In fact, the funding model used for this report assumes that you will continue to devote the stated number of dollars per year to college through the end of each child's college career. The important thing is to save as much as you can on a regular basis. Finally, education loans, student employment, and financial aid can all play a part in paying for college for Sara and Joseph.

529 College Savings Plan Information

529 College Savings Plans are state-sponsored plans that allow investments for college to grow tax-free. Thanks to a tax change in 2002, no federal taxes are due on funds withdrawn to pay qualified education expenses.¹ Tax-free growth may allow your savings to grow more quickly than they would if they were taxed every year in a taxable account. This tax-favored growth can make a significant difference in the amount you accumulate for college education. These *529 plans* (so called after the section of the tax code that authorized them) are flexible. The funds you set aside can be used for the education of the beneficiary or of his or her immediate relative.

Disclosure and Assumptions for Education Funding Planner Results

The analysis assumes that the cost of college will increase at the rate of 5% per year, that the money invested will earn the rate of return specified for each student, and that planned monthly contributions to the account, contributions that are now being made and those that are recommended, will occur without interruption through the end of college.

In actual experience, all of these factors are subject to fluctuations. In particular, rates of return on investment are subject to changes in market conditions. The rate of inflation of college costs is also liable to vary over time.

Throughout the report, many dollar values have been rounded. In particular, in the graphs titled "A Higher Rate of Return = Smaller Contributions," the dollar amounts to invest today and their equivalent monthly investment amounts have been rounded—lump sums to the nearest hundred and monthly amounts to the nearest ten. The exact figures may be slightly higher or lower than shown.

The illustrations in this report in no way represent a guarantee that the savings and investment programs described will produce the projected result.

¹Unless the law providing this federal income tax exemption is extended, the exemption will not apply to withdrawals made after December 31, 2010.