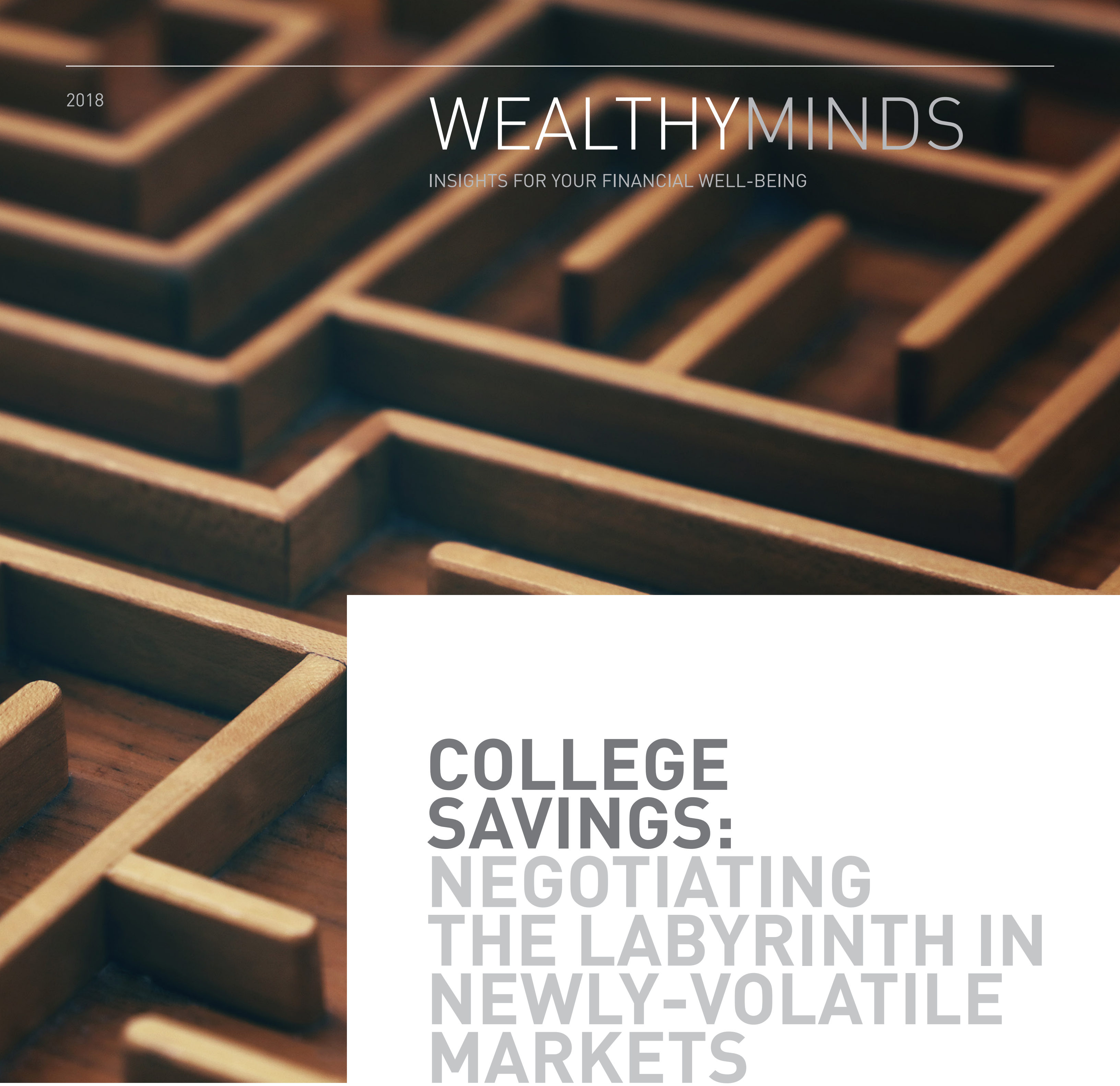


2018

WEALTHYMINDS

INSIGHTS FOR YOUR FINANCIAL WELL-BEING

COLLEGE SAVINGS: NEGOTIATING THE LABYRINTH IN NEWLY-VOLATILE MARKETS

People's United Advisors®

COLLEGE SAVINGS: NEGOTIATING THE LABYRINTH IN NEWLY-VOLATILE MARKETS

DON'T BE INTIMIDATED

There's no one-size-fits-all solution. Investors have different income and asset levels, different goals for their college saving, different feelings about who should control the funds–and beneficiaries with different needs and personalities.

THE RETURN OF VOLATILITY in the investment markets may or may not prove long-lived this time around, but college savers don't want to take the risk: They may need to call upon their accounts to produce for their children or grandchildren in the next few years, and they don't want to face the prospect of severe account depletion. What to do?

A College-Savings Primer

First, we'll remind you about some basic college-savings vehicles. In addition (though beyond the scope of this paper), implications for financial aid vary by savings vehicle; contributors should consult college-savings experts.

The table below is a bird's-eye view of four well-received college-saving alternatives as they stand in 2018. We start off with 529 Plans, the now-venerable strategy named after a section of the IRS Code; it's become a winner in the marketplace and offers many advantages—but clearly, it's not the only choice.

The nuances of each of the above choices are many, and relevant legislation is revised periodically (see the section below on the new tax law). College savers are well-served to consult their investment managers and tax advisors before deciding on any strategy.

	529 Plan	Coverdell Education Savings Account	UGMA/UTMA Custodial Account[1]	General Investment
Overview	Very popular, available as a savings vehicle or a pre-paid tuition lock-in	Particularly appropriate for contributors with more modest savings goals—can be used for grammar and secondary school expenses	Withdrawals not restricted to educational use, but fewer tax advantages and potential control by beneficiary	Widest range of options, but risk of being used for other purposes
Contribution Limits	None annual; aggregate limit between $250k and $500k+ by plan	$2,000 per beneficiary per year, tax penalty for higher contributions	None	Depends on vehicle; max annual $6,500 for Roth IRA, e.g.[2]
Income Limits	None	$110k/$220k annually for single/married contributors	None	Depends on vehicle
Tax benefits (+Gift -Tax Exclusion)	Tax-free compounding & withdrawal for qualified educational expenses[3]	Tax-free compounding & withdrawal for qualified educational expenses	Limited	Depends on vehicle
Control of Assets	Investor[4]	Investor[4]	Beneficiary at his/her age of majority	Investor

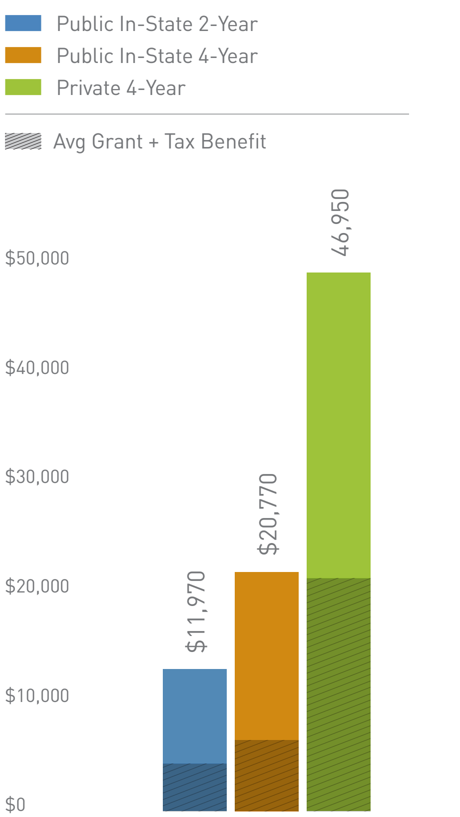
1 "UGMA stands for the Uniform Gifts to Minors Act. "UTMA" for the Uniform Transfers to Minors Act.
2 The Roth IRA contribution limit here includes a $1,000 catch-up available to investors at least 50 years old.
3 "Qualified educational expense" are generally defined as tuition; fees; room & board; books, supplies, and equipment; contributions may also be eligible for favorable state tax treatment.
4 Allows for change in beneficiaries.

CONTINUED

COLLEGE SAVINGS:
NEGOTIATING THE LABYRINTH IN NEWLY-VOLATILE MARKETS

NET TUITION COSTS RISE AS GROWTH IN GRANT AID SLOWS

Average Full-Time Tuition Costs for 2017-2018 (includes fees, room & board)



Source: The College Board 2017

But we'd note that the most popular college-saving vehicle of all—a plain-vanilla savings account—was the strategy of choice for some three-quarters of U.S. parents, according to a January 2018 poll reported by the MarketWatch on-line financial-news service. For some contributors—especially those who get off to a late start and hence seek a safe, reliable investment, savings accounts can be a prudent choice. But many contributors, often with longer time horizons, are typically better off with a more growth-oriented strategy.

The nuances of each of the above choices are many, and relevant legislation is revised periodically (see the section below on the new tax law). College savers are well-served to consult their investment managers and tax advisors before deciding on any strategy.

What If the Stock Market Is Headed for a Fall?

We don't try to predict market turns: It's a risky endeavor, and rarely successful. But it's no secret that the U.S. stock market has been moving upward with few interruptions since the Global Financial Crisis bottomed in 2009. We hadn't seen even a 10% correction since then until February of this year. And whether the long bull market is over or just resting, college savers today need to be conscious of risk. If you own a college-saving account, what should you do?

- **Consider increasing allocations to bonds and even cash:** Many college-savings vehicles operate on a "glide path" toward more-stable asset classes as the time approaches for withdrawals. If you're satisfied with the trajectory of your asset allocation, sit tight. If you're uncomfortable, though, consider moving to a more conservative portfolio (if you're in a 529 Plan, for example, you can re-allocate twice a year (and sometimes more often, if you employ certain strategies). Remember, damage to portfolio value becomes more likely as time horizon narrows—especially in an uneasy market. That said, in most cases,…
- **…Stay Diversified:** Exposure to growth potential can be useful for beneficiaries—even in the early stages of fund withdrawals—as well as the ballast of safer investments. Don't be too quick to abandon stocks and other high-expected-return assets in an overabundance of caution.

COLLEGE SAVINGS: NEGOTIATING THE LABYRINTH IN NEWLY-VOLATILE MARKETS

EDUCATE YOURSELF

If you think it's hard to get accepted into an Ivy League college, it can be even harder to figure out how to save for that happy event. **While saving for college may seem like an overwhelming task, the decision to start to save is key.**

- **Think about FDIC insurance:** Some college-savings plans offer options like CDs that carry FDIC insurance, which will protect up to $250,000 per account. And of course, contributors can set up CDs outside a dedicated college-savings vehicle. Admittedly, account returns will be low—but it's one possible route to take.

- **Remain calm:** This oldest piece of investment advice is still valid. If your contribution strategies are paired well with your objectives and your assessment of risk in the current market, you're likely to weather a rough patch.

Yes, the new tax code includes some additional benefits for contributors to 529 and related plans:

- **K-12 covered:** You can now withdraw up to $10,000 per year per beneficiary from a 529 Plan to cover educational expenses for kindergarten through 12th grade at private (including parochial) schools. Those withdrawals will be tax-free at the federal level. The tax situation with the states is less clear, and investors should consult with their tax advisors. Regardless, don't allocate too aggressively for early-grade expenses, since the time line before the money is needed will be relatively short.

- **Rollovers permitted to ABLE accounts:** 529 accounts can now be rolled over to ABLE Plans, specially created to meet a variety of needs of disabled persons—not only educational expenses. These plans are open to people with significant disabilities that developed before their 26th birthdays. Annual and aggregate contributions are limited, as they are in 529s, but with different ceilings. Like the tax advantages associated with the new K-12 coverage in 529s (see item above), across-the-board eligibility for state benefits is not yet clear.

Putting It Together

In investing, all prudent decisions are blends of long-accepted precepts and evolutionary change. So it is with college-saving, which draws on revered principles like diversification, risk-awareness, and goals-based planning, together with close attention to the present moment: an uneasy market and a brand-new tax code.

To identify the college-saving strategy best for you, enlist a team of financial, tax, legal, and accounting professionals. At People's United, we can help out.

People's United Advisors can help.

Please contact us at 1.800.772.8778 or visit peoples.com