



## COMPANY CASE STUDY

# COLLEGE PLANNING

## OBJECTIVES

Married couple, Robert and June, are actively saving for retirement and would like to have a plan for college for their two daughters. Both Robert and June attended four-year private colleges and they would like to be able to provide that option for each of their daughters.

## WHERE THINGS STAND

When the couple sit down with an advisor at Breakwater, they discuss their budget and how much they are currently spending vs. saving. Robert and June are saving roughly \$3,500 a month after maxing out their 401k plans and have no outstanding debt aside from the mortgage on their primary residence.

Currently, the majority of their monthly savings is going into a joint brokerage account in both of their names. Of that, \$200/month is being put toward each of the 529's that they opened when each child was born.

## REVIEW

Robert and June use a tuition estimate of \$70,000 for a private college in the 2022-2023 academic year. The tuition estimate will be inflated based on the number of years that Julia and Emma have before college. Using that information, the following monthly savings plan is discussed.

Monthly Savings Plan:

Child 1: \$1400/month earmarked for school

Child 2 \$1340/month earmarked for school

## DISCUSSION

Robert and June have some decisions to make.

First, if Robert and June are truly committed to saving for a four-year private school, the decision becomes whether to add their excess monthly savings to the 529's where they can grow tax free until they need to withdraw, or they could save to a regular taxable account earmarked for college funding. The decision is one of tax advantage vs. flexibility and often is not "all or none" in either the 529 or brokerage account.

## AT A GLANCE

### GOALS

- Retirement Savings
- College savings for two kids

### CURRENT STATUS

- \$2.2 Million saved for retirement
- \$220,000 in a brokerage account
- Current 529 Savings:
  - Child 1 - \$33,000
  - Child 2 - \$19,000

Second, Robert and June could decide that they would prefer to save for in-state schools and let the girls take loans for any additional cost incurred by going to a private school. Some clients like the idea of their kids having a "stake in the game" or having some responsibility to pay for school as a way to appreciate the value of the education.

## CONCLUSION

It is possible that one or both of their daughters could get a merit or athletic scholarship, which could leave unused funds in the 529's. If the money was added to the 529's and not exhausted by undergraduate tuition for any reason, the funds could also be put toward further education such as an MBA, law degree, master's program or medical school.

The Secure Act also states that starting in 2024, 529 account owners can roll over up to an aggregate lifetime limit of \$35,000 from a 529 plan into a Roth IRA for the benefit of the 529 plan beneficiary.

Based on the choices Robert and June decide upon, Breakwater will be here to guide them.



**Thomas Mullen**  
CFP®, CFSIA



**Madeline Barconi**  
CFP®, ChFc®, CDFA®



**Jeffrey Hanson**  
CFP®

**Breakwater Capital Group**

[www.breakwatercapitalgroup.com](http://www.breakwatercapitalgroup.com)

## DISCLOSURES

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