



EDUCATION BENEFITS & SAVINGS

★ THE COST OF COLLEGE

College can be expensive, but don't be discouraged if you can't save enough to cover the entire cost. For perspective, consider another major purchase, like a house. Most buyers can't afford to pay cash. Instead, they make a down payment and borrow the rest. College is no different. While many parents want to save enough to pay for their child's college, it may require a combination of savings, income, scholarships and student loans to get the job done.

AVERAGE COST OF A FOUR-YEAR PUBLIC UNIVERSITY

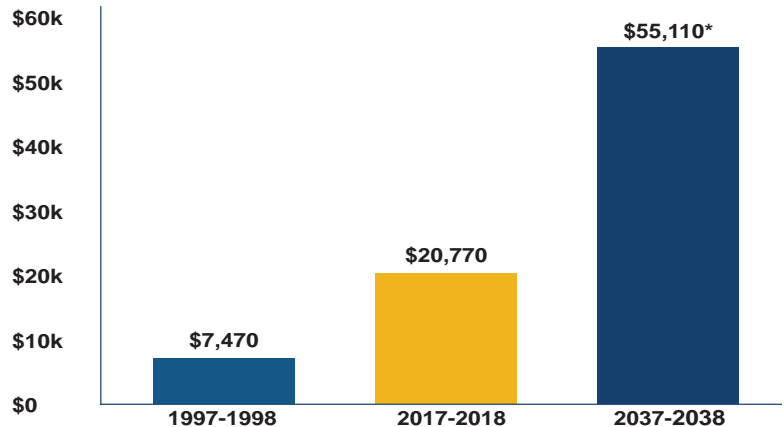
According to data reported by collegeboard.org, the average cost of a four-year public university (tuition, fees, room and board) has increased significantly over the past 20 years. Even projecting a slightly lower rate of inflation over the next 20 years (5% versus 5.25%) results in some eye-popping future college costs.

RISING COST

Average Public, In-State College Cost
Tuition, Fees, Room and Board

*Assuming 5% inflation

<https://trends.collegeboard.org/college-pricing/figures-tables/tuition-fees-room-and-board-over-time>



★ SAILOR EDUCATION BENEFITS

One of the benefits of serving in the Navy is the wide range of education benefits available to you, your spouse and dependent family members. Many of the education benefits apply to Sailors still in uniform, and others are also available after you transition to the civilian world, such as the Montgomery GI Bill, the Post-9/11 GI Bill and Veterans Education Assistance Program (VEAP).

POST-9/11 GI BILL

If you have at least 90 days of aggregate active duty service after September 10, 2001, are still on active duty, or were honorably discharged with a service-connected disability after 30 days, you may be eligible for this VA-administrated program.

The Post-9/11 GI Bill provides up to 36 months of education benefits. Other benefits may include:

- Monthly housing allowance
- Annual books and supplies stipend
- One-time rural benefit payment

Some Sailors may transfer unused GI Bill benefits to their dependents. For details of this program, visit gibill.va.gov or call (888) 442-4551.

The Navy may offer its own scholarships, college funds, tuition assistance, work-study programs, loan repayment programs, and other forms of assistance.

IN-STATE TUITION FOR VETERANS

There can be a huge difference between the tuition charged at state colleges and universities to residents versus non-residents.

As a veteran, you may get to pay the in-state resident rate even if you haven't established residency in that state thanks to a provision in the Veterans Access, Choice and Accountability Act. This applies to the Post-9/11 GI Bill, Montgomery GI Bill-Active Duty and the GySgt John D. Fry Scholarship. Learn about time limits and other details at benefits.va.gov.

ADDITIONAL MILITARY EDUCATION ASSISTANCE

Anyone who enlists in the Navy may be eligible for one of the following education assistance programs:

The Montgomery GI Bill:

This program, which is available to active duty Sailors and drilling Reservists with a six-year obligation, provides education benefits when contributions are made by the Sailor.

Veterans Educational Assistance Program (VEAP):

Some states may offer Veterans Affairs benefits that are transferable to family members. Check with your state's veterans' organizations to see if education assistance is available.

Survivors' and Dependents' Educational Assistance Program:

This program provides education and training to dependents of vets who are permanently and totally disabled due to a service-related condition, or vets who die on active duty *or* as a result of a service-related condition.

Marine GySgt John David Fry Scholarship:

This program provides benefits to children and surviving spouses of Sailors who died in the line of duty, while serving after September 10, 2001.

Reserve Officers Training Corps (ROTC) Scholarships:

Offered at hundreds of colleges nationwide, ROTC allows students to attend school full time while preparing for a career as a commissioned military officer. Some ROTC cadets qualify for scholarships that are awarded based on merit only — not financial need.

★ UNDERSTANDING ACCREDITATION

It's very important to pay close attention to accreditation when evaluating an educational institution. When a school is accredited, it means an outside organization has conducted an evaluation and determined the school meets certain standards for providing a quality education.

Accreditation is Important Because it Directly Affects:

- Whether other schools will allow you to transfer credits from that school
- Whether employers will be impressed by the work you've done
- Whether licensing boards will accept your education

Not all accreditation is the same. There are two major types: national and regional. It may seem counter-intuitive, but regional accreditation is much more valued than national accreditation.

- You also want to make sure that the school not only has the right accreditation, but that the specific program you're considering is accredited too.

★ SAVINGS PLAN CHOICES

Looking to pay for a child's education? There are several strategies. The key differences to consider are:

- Account ownership
- Tax advantages
- Annual contribution limits

GENERAL INVESTMENT ACCOUNTS

Here, we're not talking about accounts with special education tax breaks — just a regular account held in a parent's or grandparent's name.

Advantages

- No contribution limits
- The owners control how the account is invested and used
- No income or age limitations

Disadvantages

- All interest, dividends and gains are taxable.
- These accounts may impact the Expected Family Contribution calculation made by a college for financial aid.

529 COLLEGE SAVINGS PLANS

- This is a tax-advantaged investment account.
- In 2017, K-12 public, private, and religious school tuition were included as qualified expenses for 529 plans along with post-secondary education costs with the passage of the Tax Cuts and Jobs Act.

Advantages

- Qualified withdrawals are exempt from federal and possibly state income taxes.
- Funds can be used for all qualified education expenses, including tuition, certain room and board expenses, fees, supplies and equipment required for enrollment at any accredited school.
- Typically, these have less impact on financial aid eligibility than other types of accounts.
- Large contributions are permitted, and the account owner maintains control of the assets.
- Generally, anyone can contribute, regardless of residency or income.
- Potentially transferable to another family member without a penalty.

Disadvantages

- Withdrawals that aren't used to cover qualified expenses are subject to a 10% penalty on earnings, in addition to ordinary federal and state taxes on those earnings.
- There are limited investment options, an uncertain ending value, and the possibility of losses.

Visit collegesavings.org for more information about 529 college savings plans including prepaid tuition plans and state-specific details.

COVERDELL EDUCATION SAVINGS ACCOUNTS

- Only a parent or legal guardian is allowed to open the account.
- Annual contribution limits apply.

Advantages

- Funds can be used for qualified elementary, secondary or college expenses, including tuition, room and board, books, equipment and supplies.
- Earnings are federal income tax-free when used for qualified expenses.
- Accounts offer a variety of investment options, and the flexibility to change the student beneficiary as needed.

Disadvantages

- You may lose money depending on how it is invested.
- Gifts are irrevocable and considered assets of the beneficiary.
- No contributions are allowed once the beneficiary reaches age 18, and funds must be used by age 30.
- Taxes and penalties apply if funds are not used for qualified education expenses.
- Families with high income may not qualify.

UNIFORM TRANSFER TO MINORS ACT (UTMA) AND UNIFORM GIFT TO MINORS ACT (UGMA)

- Gifts are irrevocable.
- Accounts are owned by the child but managed by parents, under your state's Uniform Gifts (or Transfers) to Minors Act.

Advantages

- The parent controls the account until the child is an adult under the state law — generally age 18 or 21.
- The assets in the accounts are not limited to education expenses, but must be used for the child's benefit.

Disadvantages

- Ownership of the account can't be changed, and the money can't be used for a different child.
- Money owned by children may have a negative effect on financial aid eligibility.

PREPAID TUITION PLANS

- Plans allow parents, grandparents and others to lock in current tuition rates.
- Participants purchase units of tuition (years, semesters or credits) at current costs for state colleges, then use them to pay for future college costs.

Advantages

- Anyone can contribute regardless of income.
- With most plans, proceeds may be transferred to another family member.
- Plans are guaranteed by state governments, and as such, are subject to state-specific rules.

Disadvantages

- They have relatively low yields.
- There is a penalty for early redemption.
- When cashed in, colleges will factor the income into the Expected Family Contribution calculation used in determining financial aid.

SAVINGS BONDS

- U.S. savings bonds are issued by the U.S. Department of the Treasury.
- Savings bonds are considered one of the safest investments because they are backed by the full faith and credit of the U.S. government.

Advantages

- Savings bonds are easy to purchase.
- The bond purchase price, or your principal, is guaranteed.
- Earnings are exempt from federal income taxes if used to pay qualified education expenses.

Disadvantages

- They have relatively low yields.
- There is penalty for early redemption.
- When cashed in, colleges will factor the income into the Expected Family Contribution calculation used in determining financial aid.