THRIVENT FINANCIAL®

Connecting faith & finances for good.®

EDUCATION FUNDING STRATEGIES

Help pave the way to future success

The value of a postsecondary education can't be overestimated. But, as you likely know, it comes with a hefty price tag. And possibly a considerable debt load.

While choosing the right college is important, you can help your loved one get started down the right path by helping to financially support his or her education.

When it comes to saving for college, one of your greatest assets is time. Starting early is critical to lessening the financial impact that may occur when college starts.

Do your homework

Get a head start by researching college funding strategies. There are many resources available, from grants to public and private scholarships, to student loans and work-study programs.

Since you don't know what grants and scholarships will be available when it's time to start the application and admission process, you'll want to consider:

- Roth and traditional individual retirement accounts (IRAs)
- 529 college savings plans
- Coverdell Education Savings Accounts
- Permanent life insurance
- Uniform Gifts or Transfers to Minors Act (UGMA/UTMA)
- Trusts

Set goals and create your strategy

Start by asking yourself:

- What is my savings timeline?
- How much will college cost after financial aid?
- How much can I afford to save each month?
- How will this impact other goals?

Then call your Thrivent Financial representative.

Education Funding Strategies

	Roth IRA	Traditional IRA	529 College Savings Plan[3]
	Distributions used for higher education expenses avoid the 10% federal premature distribution penalty. If your loved one doesn't need the money for college, distributions may be used for your retirement.	Distributions used for higher education expenses avoid the 10% federal premature distribution penalty. If your loved one doesn't need the money for college, distributions may be used for your retirement.	529 college savings plans offer high contribution limits, tax-deferred growth and income tax-free withdrawals when used to pay qualified higher education expenses. 529 plans are state-sponsored plans and, as a result, can vary by state.
How much may be contributed?	$5,500 in 2017 if individual has earned income. Additional $1,000 if age 50 or older in 2017.[1]	$5,500 in 2017 if individual has earned income. Additional $1,000 if age 50 or older in 2017.	Depends on the individual state plan.
Who has control?	Account owner.	Account owner.	Account owner.
Are there any tax benefits?	Tax-deferred growth. Contributions are distributed first, tax-free and penalty-free. Qualified distribution[4] of earnings not subject to tax or penalty. Nonqualified distribution of earnings subject to tax and 10% premature distribution penalty. Can avoid 10% premature distribution penalty on earnings if used to cover qualifying expenses for self, spouse, children or grandchildren at an accredited postsecondary institution.	Tax-deferred growth. Contributions may be tax-deductible. Distributions are taxable.[5] Can avoid 10% premature distribution penalty on contributions and earnings if used to cover qualifying expenses for self, spouse, children or grandchildren at an accredited postsecondary institution.	Tax-deferred growth. Tax-free distributions if used for qualified higher education expenses of the named beneficiary. Possible state tax benefits if you're participating in your own state of residence 529 plan.
Which education expenses qualify?	Tuition, fees, books, supplies, room and board (limits apply), expenses for special needs services for special needs beneficiary and required equipment at an accredited postsecondary institution.	Tuition, fees, books, supplies, room and board (limits apply), expenses for special needs services for special needs beneficiary and required equipment at an accredited postsecondary institution.	Tuition, fees, books, supplies, room and board (limits apply), expenses for special needs services for special needs beneficiary and required equipment at an accredited postsecondary institution.
Does this asset impact federal financial aid?	**No** for accumulated assets, but withdrawals must be reported as either income or untaxed income on the following year's financial aid application.	**No** for accumulated assets, but new contributions and withdrawals must be reported in the following year's financial aid application.	**Yes,** when combined value of assessable parent assets—including education savings account balances owned by the parent, student and dependent siblings—exceed the parent's asset-protection allowance.[2] **No** for accumulated assets when plan is owned by a nonhousehold member such as a grandparent, aunt, etc., but withdrawals from these third-party plans must be reported on the following year's financial aid application and will impact future aid.[2]

Refer to IRS Publication 970 for details.

Tax-related information provided at the federal level; individual states may vary. Tax law is complex and subject to change. Thrivent Financial and its representatives and employees cannot provide legal, accounting, or tax advice or services. Work with your Thrivent Financial representative and, as appropriate, your attorney and tax professional for additional information.

[1]To qualify, you must earn a modified adjusted gross income (MAGI) of under $133,000 (single), $196,000 (joint) for 2017. Contribution reduced if MAGI is between $118,000 and $133,000 on a single return and $186,000 and $196,000 on a joint return.

[2]Higher Education Reconciliation Act of 2005.

[3]Offered through a brokerage arrangement with Thrivent Investment Management Inc. Funds invested in the 529 college savings plan have no bank guarantee, are not FDIC-insured, and may lose value. You are advised to consider the investment objectives, risks, charges and expenses associated with 529 college savings plans before investing. More information on the 529 college savings plan is available in the issuer's official statement. The official statement should be read carefully before investing. You should investigate whether your state or your beneficiary's state offers a qualified tuition plan for its residents and consider what, if any, potential state income tax or other benefits it offers. Please consult with a tax professional to receive tax analysis of the investments.

Coverdell Education Savings Accounts Gives complete investment control and flexibility. Earnings grow tax-deferred and withdrawals are income tax-free when used to pay qualified education expenses. Distributions may be used to cover college and K–12 expenses.	**Permanent Life Insurance**[8] Designed to provide long-term protection plus the ability to accumulate cash value. Permanent insurance can be either traditional whole life or flexible, such as universal life or variable universal life.	**Uniform Gifts/Transfers to Minors Act** (UGMA/UTMA) Irrevocable gifts ensure that the assets will be used to benefit a specific child. Since the money does not have a specified purpose, no penalties are imposed if used for something other than education.	**Trusts** Several options exist, including trusts that distribute money only when used for education. Trusts allow control over the assets for as long as the donor wishes.	**Nonqualified Savings Plans** Rewards highly compensated employees by deferring payment. Under these plans, an employer doesn't contribute money to retirement plans on the employee's behalf. It defers a portion of salary until a later date—such as after the employee retires or leaves the company.
$2,000 per year, per student.	Premiums paid can vary and will depend on the amount of coverage purchased, and age and health of insured.	Unlimited.[6]	Unlimited.[6]	No limit.
Parent or guardian.	Owner.	Custodian who is named by the donor until student reaches age of majority.	Trustee who is named by the donor.	Parents.
Tax-deferred growth. Tax-free distributions if used for qualified education expenses.	Tax-deferred growth of the accumulated value. Tax-free death benefits and tax-free loans.[7]	Investment income may be subject to "kiddie tax" rules.	No.	Generally the earnings are taxed as ordinary income upon receipt. However, some investments may have more favorable tax treatment.
K–12 and accredited postsecondary institutions: tuition, fees, books, supplies, room and board (limits apply), and required equipment and expenses for special needs services for special needs beneficiary. K–12 only: academic tutoring, uniforms, transportation, supplementary items and services, computer equipment, technology and Internet access.	No requirement that dollars be used for education.	No requirement that dollars be used for education.	Depends on trust language.	No restriction.
Yes, when combined value of assessable parent assets—including education savings account balances owned by the parent, student and dependent siblings—exceed the parent's asset-protection allowance.[2] **No** for accumulated assets when plan is owned by a nonhousehold member such as a grandparent, aunt, etc., but withdrawals from these third-party plans must be reported on the following year's financial aid application and will impact future aid.[2]	**No.** Under current guidelines, life insurance cash value is not considered for federal financial aid unless surrendered.	**Yes,** considered an asset of the child.	**Maybe,** depending on the structure of the trust.	**Yes,** considered an asset of the parent.

[4]Roth account was established at least five years prior to distribution and the owner is 59½, disabled or is making a first-time home purchase (lifetime maximum of $10,000).

[5]Any portion of the distribution that consists of after-tax contributions is exempt from tax upon distribution.

[6]Contributions in excess of the annual gift exclusion will require a gift return and reduce the lifetime gift allowed.

[7]Loans and surrenders will decrease the death proceeds and the cash surrender value available to pay insurance costs. Surrenders may generate an income tax liability and may be subject to a decrease charge. A significant taxable event can occur if a contract terminates with outstanding debt. Loaned values may accumulate at a lower rate than unloaned values.

[8]The primary purpose of life insurance is to provide a death benefit.

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Take the next step

Call your Thrivent Financial representative.

He or she can help you develop a savings strategy that works best for you and your family.

Don't have a representative? Call us toll-free at 800-847-4836. Or visit Thrivent.com.

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