Strategies for Successful College Planning

Five insights for achieving college funding goals

New York's 529 Advisor Guided® College Savings Program

J.P.Morgan Asset Management

How will you pay for college?

College is one of life's most important—and expensive—investment goals.

- How much will it cost?
- What can you expect from financial aid?
- How can you invest and earn more while borrowing less?

In this guide, we use select pages from **College Planning Essentials** to answer these questions and provide five time-tested strategies for successful investing. Together with guidance from your financial advisor, it can help you make more informed decisions and the most of your college funds.

STRATEGIES FOR SUCCESSFUL COLLEGE PLANNING

1. UNDERSTAND THE COSTS
2. KNOW WHAT TO EXPECT FROM FINANCIAL AID
3. DON'T JUST SAVE, INVEST
4. KEEP COLLEGE AND RETIREMENT ACCOUNTS SEPARATE
5. MAKE THE MOST OF TAX-ADVANTAGED 529 PLANS

1 UNDERSTAND THE COSTS

Start your plan with a college funding goal

The first step toward meeting college costs is knowing what they are. Costs are high today and will likely be even higher when your children attend college, thanks to annual tuition inflation that is outpacing the overall cost of living.[1]

Use this chart to estimate future costs and begin creating your investment plan. Simply find a child's current age to see projected four-year costs at both public and private universities.

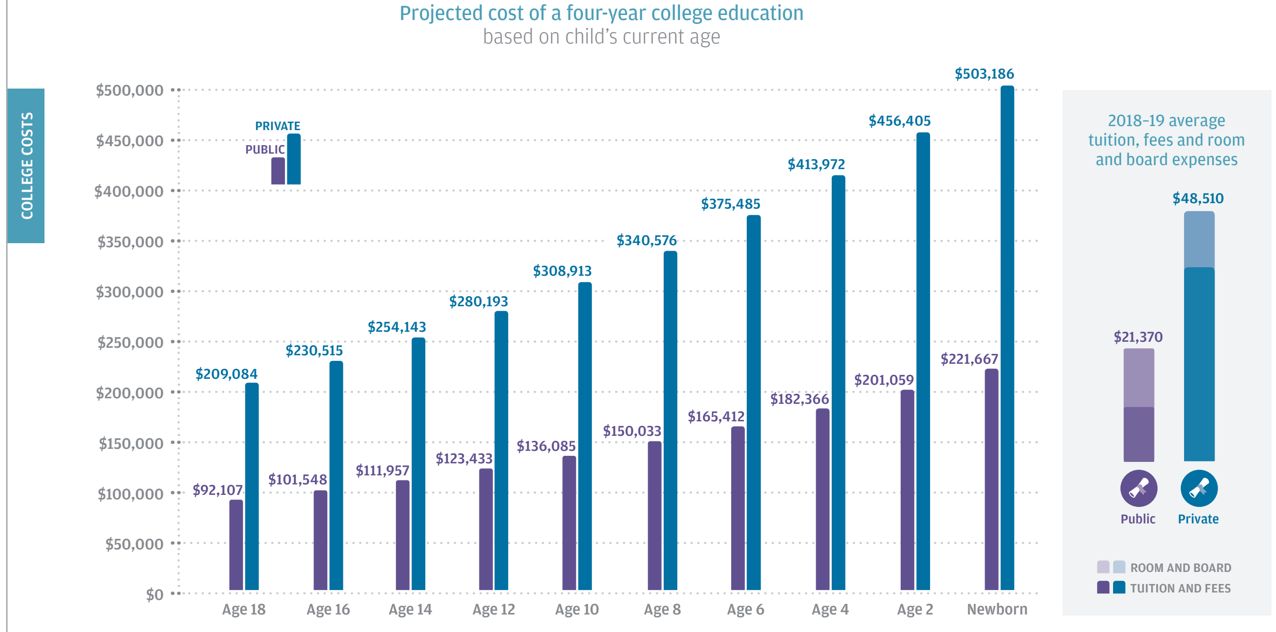
Next, work with your financial advisor to determine how much you plan to pay and how much might come from financial aid, family gifts, student income and other funding sources.

EXAMPLE:
For a six-year-old, total costs are expected to be about **$165,000 at a four-year public college** and **$375,000 for a private college**.

[1] J.P. Morgan Asset Management, *College Planning Essentials* 2018-2019 Edition, Tuition inflation, page 7.

Future four-year college costs 8

The younger the child, the more college is likely to cost. Add up four years per child, and it equals one of a family's largest expenses.



Source: J.P. Morgan Asset Management, using The College Board, 2018 *Trends in College Pricing*. Future college costs estimated to inflate 5% per year. Average tuition, fees and room and board for public college reflect four-year, in-state charges.

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2 KNOW WHAT TO EXPECT FROM FINANCIAL AID (PART 1)

Many families expect more free financial aid than they are likely to receive

Roughly half of all students actually get grants and scholarships, and only 0.3% receive enough for a free ride to college.

Even if your child qualifies, grants pay an average of only 11% of the costs at a four-year public university, while scholarships cover just 12%.

To make up the difference, families need an investment plan that can help them achieve their goals without taking out expensive loans or ruling out schools based solely on cost.

Financial aid reality check 11

FINANCIAL AID

Many families expect more free money from grants and scholarships than they are likely to receive.

Grant reality 2017-18 (need-based)

56%
of families received grants averaging **$5,292**[1]

Total costs covered by grants at:

Private	4-year Public	2-year Public
10%	11%	19%

Scholarship reality 2017-18 (merit-based)

57%
of families received scholarships averaging **$7,760**[1]

Total costs covered by scholarships at:

Private	4-year Public	2-year Public
25%	12%	7%

HIGH EXPECTATIONS

27% of parents who are not yet saving for college expect scholarships or grants to cover the costs.[2]

LOW CHANCES

0.3% of college students receive enough grants and scholarships to cover costs.[3]

1. Sallie Mae, *How America Pays for College*, 2018.
2. Sallie Mae, *How America Saves for College*, 2018.
3. Finaid.org. Based on full-time students at four-year colleges.

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2 KNOW WHAT TO EXPECT FROM FINANCIAL AID (PART 2)

Don't let financial aid stop you from investing

It's a common myth that investing for college will hurt your chances for financial aid. The fact is, family income counts much more than assets in the formula for awarding federal aid.

This chart can help you estimate your Expected Family Contribution (EFC) used to determine federal financial aid eligibility. In calculating EFC, the Department of Education considers up to 47% of parents' income but only a maximum of 5.64% of their assets—even those in a 529 plan earmarked specifically for college.

HOW TO USE THIS CHART

Find the box where your **combined income** intersects with the value of all **assets** except your primary home and retirement accounts. The result is your estimated Expected Family Contribution.

Estimating Expected Family Contribution 14

FINANCIAL AID

Use this chart to estimate your Expected Family Contribution, the amount used to determine federal financial aid eligibility.

Annual Expected Family Contribution (EFC)
Examples based on income and assets

Income has a **much bigger impact** than assets.

ASSETS (EXCLUDING PRIMARY RESIDENCE AND RETIREMENT ACCOUNTS)

COMBINED INCOME	$0	$25,000	$50,000	$100,000	$150,000	$200,000	$250,000	$300,000
$50,000	$2,113	$2,451	$3,111	$4,537	$6,302	$8,513	$11,230	$14,050
$75,000	$6,694	$7,216	$8,388	$11,084	$13,904	$16,724	$19,544	$22,364
$100,000	$14,413	$15,153	$16,545	$19,365	$22,185	$25,005	$27,825	$30,645
$125,000	$21,742	$22,445	$23,855	$26,675	$29,495	$32,315	$35,135	$37,955
$150,000	$29,460	$30,182	$31,592	$34,412	$37,232	$40,052	$42,872	$45,692
$175,000	$37,250	$37,971	$39,381	$42,201	$45,021	$47,841	$50,661	$53,481
$200,000	$44,777	$45,499	$46,909	$49,729	$52,549	$55,369	$58,189	$61,009
$225,000	$52,126	$52,848	$54,258	$57,078	$59,898	$62,718	$65,538	$68,358
$250,000	$59,476	$60,198	$61,608	$64,428	$67,248	$70,068	$72,888	$75,708

Example: If you earn $150,000 in income and have $200,000 of savings, your estimated EFC is **$40,052**.

Source: J.P. Morgan Asset Management and fafsa.gov. Based on two-parent household with one child attending college, one child living at home, all are residents of New York. Assumes no income or assets for each dependent and age 49 for eldest parent. Protected amounts for assets vary based on age and income. These are estimates provided for illustrative purposes only, and they may not be representative of your personal situation and circumstances.

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3 DON'T JUST SAVE, INVEST (PART 1)

Put the power of compounding to work for you

The sooner you start and the longer you invest, the more time your college fund has to compound and grow in value.

For example, if you start contributing $500 a month when your child is born instead of waiting until age 6, you would accumulate nearly $87,000 more. That's the power of compounding.

Make college investing part of your monthly budget

Think of your college fund as another monthly bill. You can supplement those monthly investments by also contributing part of pay raises, bonuses, tax refunds and other extra money. Every small addition could make a big difference over time.

The benefits of compounding

The sooner you start saving, the more time you have to grow your college fund through the power of long-term compounding.

Start early, accumulate more

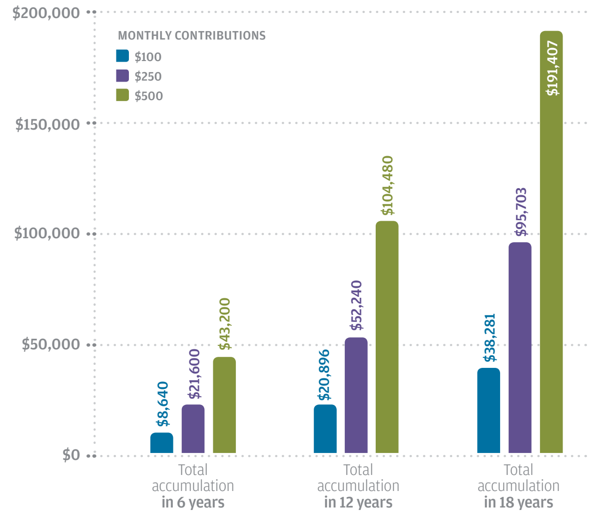
If you start saving $500 per month when a child is born, you'll earn

$86,927 more

than if you start at age 6.

Start early, small savings add up

Total amounts accumulated over 6, 12 and 18 years



Source: J.P. Morgan Asset Management. This hypothetical example illustrates the future values of different regular monthly investments for different time periods. Chart also assumes an annual investment return of 6%, compounded monthly. Investment losses could affect the relative tax-deferred investing advantage. This hypothetical illustration is not indicative of any specific investment and does not reflect the impact of fees or expenses. Such costs would lower performance. Each investor should consider his or her current and anticipated investment horizon and income tax bracket when making an investment decision, as the illustration may not reflect these factors. A plan of regular investment cannot assure a profit or protect against a loss in a declining market. This chart is shown for illustrative purposes only. Past performance is no guarantee of future results.

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3 DON'T JUST SAVE, INVEST (PART 2)

Don't count on cash

The most commonly used college funding vehicles are savings accounts, checking accounts and CDs that have normally underperformed tuition inflation.[1] Instead of just saving, investing that cash gives families the higher return potential needed to grow college funds and keep pace with rising costs.

Invest in a diversified portfolio

The key to staying invested for the long term is avoiding large portfolio fluctuations over the short term. Because stocks and bonds tend to rise and fall at different times, owning both may help you smooth out investment returns and stay on course toward college funding goals.

This chart shows that a diversified portfolio has historically outpaced bond returns and tuition inflation, with lower volatility than stocks.

[1] Strategic Insight, *529 Industry Analysis: 2018*.

Staying diversified over 18 years

33

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Compare the best, worst and average annual returns for different investments over rolling 18-year periods.

Best, worst and average rolling 18-year periods
Average annual returns, 1983–2017

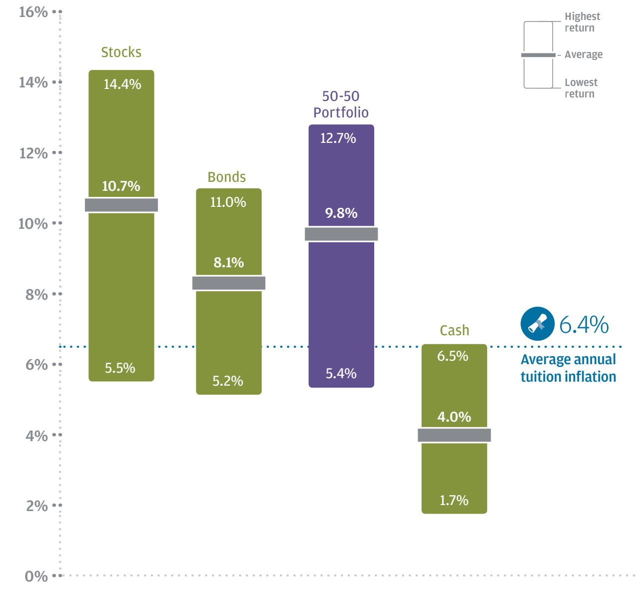

CHART HIGHLIGHTS

- Average returns for both stocks and bonds **outpaced tuition inflation**.
- The diversified portfolio delivered **higher returns** than bonds with **lower volatility** than stocks.
- Average returns for short-term **cash did not keep pace** with tuition inflation.

Source: Barclays Capital, FactSet, Robert Shiller, Strategas/Ibbotson, Federal Reserve, BLS, J.P. Morgan Asset Management. Rolling returns shown are based on calendar-year returns from 1983 to 2017. Stocks are represented by S&P 500 Index, bonds by Bloomberg Barclays U.S. Aggregate Index and cash by BofAML 3-month U.S. Treasury Bill Index. Data are as of 12/31/17. Past performance is not indicative of future results. Diversification does not guarantee investment returns and does not eliminate the risk of loss.

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4 KEEP COLLEGE AND RETIREMENT ACCOUNTS SEPARATE

Avoid using retirement funds for college

Withdrawing money for college can jeopardize your retirement security. For example, this chart shows that taking out $25,000 to fund college now could mean $80,000 less for retirement in 20 years, due to lost investment earnings and compounding.

Spending retirement money on college may also result in taxes, penalties and reduced financial aid. Because withdrawals are considered student income, half of the amount you take out may count against your federal aid package.

Consider opening dedicated accounts just for college, such as 529 plans, which offer special tax benefits not available in retirement accounts.

Don't pay for college with retirement funds

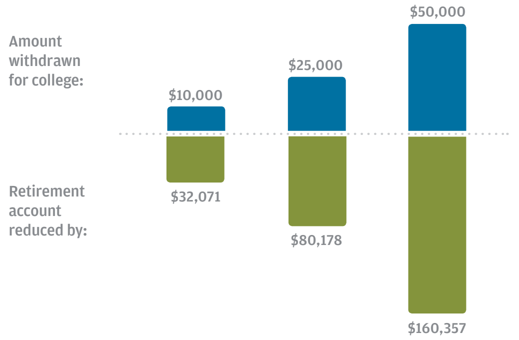
30

Every dollar used for college can mean several less for retirement, due to years of lost investment earnings and compounding.

A DANGEROUS DECISION

Nearly **one in three parents** either plans to use or would consider using retirement funds for college.[1]

How college withdrawals can jeopardize retirement security[2]



THE RELATIONSHIP BETWEEN RETIREMENT SAVINGS AND COLLEGE FINANCIAL AID

0% **of retirement assets are considered** in federal financial aid formulas while in the account.

50% **of withdrawals for college** may count against federal aid as student income.

Retirement accounts may also be reduced by:

Potential taxes
Taxes may be due on amount withdrawn[3]

Potential penalties
May owe 10% penalty if under age 59½[3]

SAVING & INVESTING

1. Sallie Mae, *How America Saves for College*, 2018.
2. J.P. Morgan Asset Management. This illustration assumes that assets would have remained in a tax-advantaged retirement account instead of being withdrawn for college, earning 6% annual investment returns for 20 years, compounded monthly. This example does not represent the performance of any particular investment. Different assumptions will result in outcomes different from this example. Your results may be more or less than the figures shown. Investment losses could affect the relative tax-deferred investing advantage. Each investor should consider his or her current and anticipated investment horizon and income tax bracket when making an investment decision, as the illustration may not reflect these factors. These figures do not reflect any management fees or expenses. Such costs would lower performance. Shown for illustrative purposes only. Past performance is no guarantee of future results.
3. Distributions from certain retirement accounts, including IRAs, may not be subject to the 10% penalty tax if used for qualified higher education expenses. Income taxes may be due on withdrawals if certain requirements are not met. Refer to IRS Publication 970 or consult your tax advisor regarding your personal circumstances.

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5 MAKE THE MOST OF TAX-ADVANTAGED 529 PLANS (PART 1)

Keep more of what your investments earn

Taxes can erode investment returns and leave families with less for college. With a 529 plan, investment earnings and withdrawals are completely tax free when used to pay qualified education expenses.[1]

The result: In this example, the 529 plan is worth nearly $48,000 more than a taxable investment receiving the same contributions and earning the same returns.

In addition, many states allow investors to deduct 529 plan contributions from state income, enabling them to save even more on taxes.

[1] Earnings on non-qualified withdrawals may be subject to federal income tax and a 10% federal penalty tax, as well as state and local income taxes. Federal law allows distributions for tuition expenses in connection with enrollment or attendance at an elementary or secondary public, private or religious school ("K-12 Tuition Expenses") of up to $10,000 per beneficiary per year. Under New York State law, distributions for K-12 Tuition Expenses will be considered non-qualified withdrawals and will require the recapture of any New York State tax benefits that have accrued on contributions.

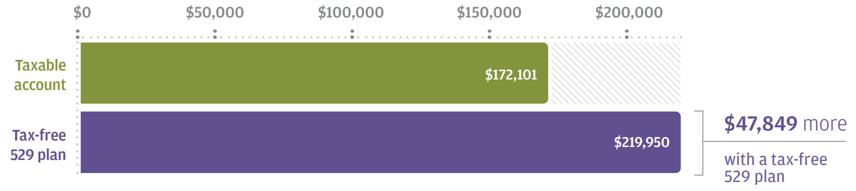
Tax-efficient investing 25

SAVING & INVESTING

A tax-advantaged 529 plan has the potential to grow faster than a taxable investment earning the exact same returns.

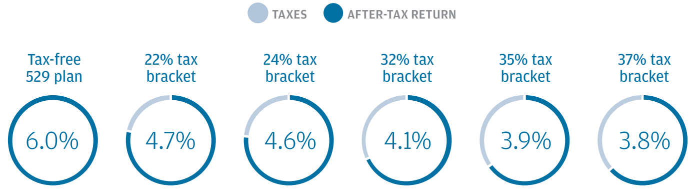
Lower taxes equal a larger college fund

Investment growth over 18 years[1]



How taxes erode investment returns

After-tax returns on a 6% investment gain



STATE TAX BENEFITS

Many 529 plans offer state tax benefits in addition to federal tax-free investing.[2] See the Appendix on page 41 for more information.

1. J.P. Morgan Asset Management. Illustration assumes an initial $10,000 investment and monthly investments of $500 for 18 years. Chart also assumes an annual investment return of 6%, compounded monthly, and a federal tax rate of 32%. Investment losses could affect the relative tax-deferred investing advantage. This hypothetical illustration is not indicative of any specific investment and does not reflect the impact of fees or expenses. Each investor should consider his or her current and anticipated investment horizon and income tax bracket when making an investment decision, as the illustration may not reflect these factors. These figures do not reflect any management fees or expenses that would be paid by a 529 plan participant. Such costs would lower performance. This chart is shown for illustrative purposes only. Past performance is no guarantee of future results.
2. Earnings on non-qualified withdrawals may be subject to federal income tax and a 10% federal penalty tax, as well as state and local income taxes.

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5 MAKE THE MOST OF TAX-ADVANTAGED 529 PLANS (PART 2)

Maximize special gift and estate tax benefits

529 plans allow five years of tax-free gifts in a single year—up to $75,000 per child from individuals and $150,000 from married couples.[1]

A lump-sum gift at birth may be enough to pay nearly all projected four-year public and private college costs, as shown in the chart.

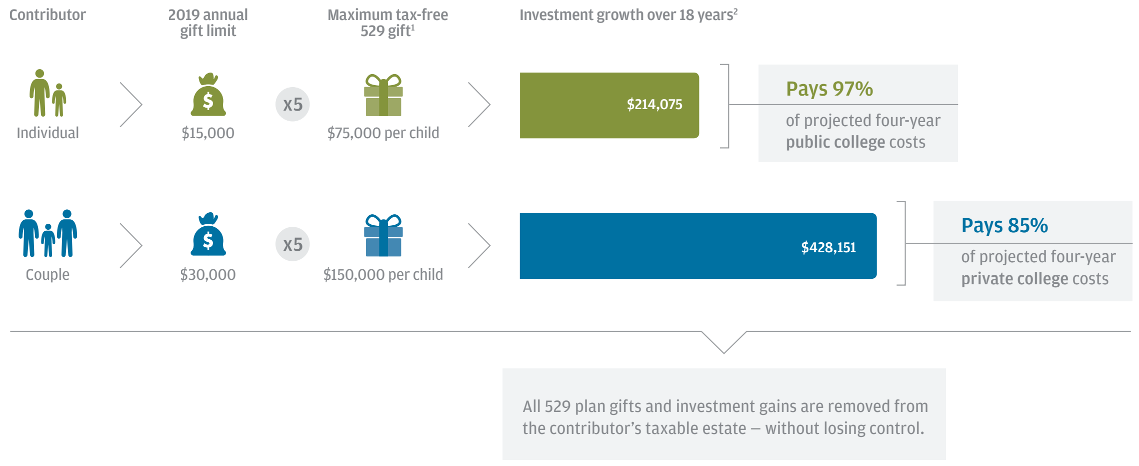
All 529 plan gifts and investment earnings are removed from the contributor's estate without losing control over the assets. This can help grandparents, aunts, uncles and others invest for college while also reducing estate taxes, increasing inheritances and creating family legacies.

[1] No additional gifts can be made to the same beneficiary over a five-year period. If the donor does not survive the five years, a portion of the gift is returned to the taxable estate.

Making the most of college gifts

Only 529 plans allow five years of tax-free gifts in one year to help families meet college costs and manage estate taxes.

One gift at birth can pay for nearly four years of college



1. No additional gifts can be made to the same beneficiary over a five-year period. If the donor does not survive the five years, a portion of the gift is returned to the taxable estate.
2. J.P. Morgan Asset Management. Illustration assumes an annual investment return of 6%, compounded monthly. This example does not represent the performance of any particular investment. Different assumptions will result in outcomes different from this example. Your results may be more or less than the figures shown. Investment losses could affect the relative tax-deferred investing advantage. Each investor should consider his or her current and anticipated investment horizon and income tax bracket when making an investment decision, as the illustration may not reflect these factors. These figures do not reflect any management fees or expenses that would be paid by a 529 plan participant. Such costs would lower performance. Projected four-year college costs are based on The College Board's 2018 *Trends in College Pricing*, assuming 5% annual inflation. This chart is shown for illustrative purposes only. Past performance is no guarantee of future results.

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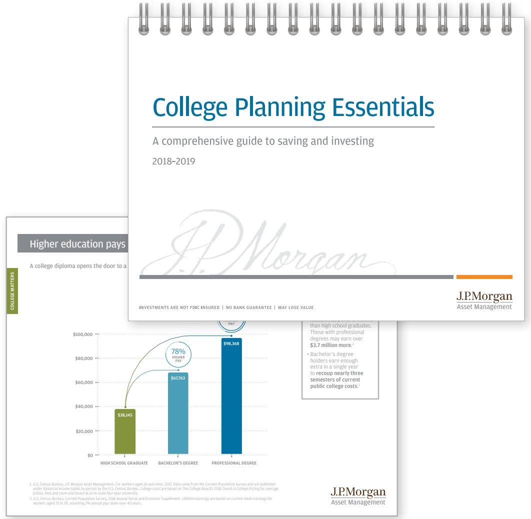
NOTES

NOTES



For more information about **College Planning Essentials** or the 529 Advisor-Guided Plan, please **contact your financial advisor**, visit **ny529advisor.com** or call **1-800-774-2108**.

INVESTMENTS ARE NOT FDIC INSURED | NO BANK GUARANTEE | MAY LOSE VALUE

Before you invest, consider whether your or the Beneficiary's home state offers any state tax or other state benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in that state's qualified tuition program.

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For more information about New York's 529 Advisor-Guided College Savings Program, you may contact your financial advisor or obtain an Advisor-Guided Plan Disclosure Booklet and Tuition Savings Agreement at www.ny529advisor.com or by calling 1-800-774-2108. This document includes investment objectives, risks, charges, expenses, and other information. You should read and consider it carefully before investing.

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