Indexed Plan
Universal Life

VS.

529 COLLEGE SAVINGS PLANS:

THE PROS, THE CONS, AND WHICH ONE IS TRULY THE BEST WAY FOR YOUR CLIENT TO SAVE FOR THEIR CHILD'S EDUCATION

At the top of parents' long-term goals for their children is making sure their children receive a high-quality education.

But as college costs climb and climb with no end in sight, it's become harder each year to afford a high-quality college education without taking on a crater-sized debt.

The most popular vehicle parents use to save for their children's college education is the 529 College Savings Fund. But lately, a newcomer has entered the fray: Life Insurance. Well, it's hard to call life insurance a "newcomer" because it's been around since Civil War – before a college education was even considered a possibility for middle-class families.

Nevertheless, life insurance has also become a popular way to save for college – giving parents two strong options. This report will sort out the pros and cons of both and show you which one is truly the best way to save for your children's college education.

529 College Savings Plans – The Pros and Cons

College saving plans (commonly referred to as 529 plans) have gained much fanfare in the past decade – especially as tuition costs rise while the average American's salary remains stagnant.

Indeed, there's a lot to like about them. First, as most know by now, accumulated earnings are tax-deferred and withdrawals are exempt from federal income tax and state taxes when used for "qualified higher education expenses."

Other benefits include:

- Friends and family members can also contribute to a 529 plan.

- The account holder can change the beneficiary if the original beneficiary decides not to go to college or does not use all the funds.

- 529 plan funds can be used at the vast majority of most colleges and universities in the United States.

But there are drawbacks:

- **Plans vary from state to state**. And many states allow you to open a 529 Plan in their state without even being a resident in it. This element alone multiplies the time and effort a family has to spend researching the different plans offered by each state. Investment options, sales charges, account fees – all differ between plans. The overload of options and the time spent researching each can be a serious source of stress that causes a family to delay even starting a fund.

- **If money from a 529 plan is withdrawn and not spent on what's considered a "qualified higher education expense," it would likely be subjected to income taxes and a penalty tax as high as 10%.** We all know that college expenses don't stop at room, board and books. Working in such a big gray area of uncertainty is often not worth the risk of paying unexpected taxes on a big ticket item (i.e. car) that is college related to you but not to the guidelines of the 529 plan.

- **Finally, a 529 plan can reduce your beneficiary's ability to receive income-based financial aid.** If this happens, it can render the savings plan useless since it just increased the total amount of money you'll pay for higher education.

Why 529 Plans Are Losing Their Cool

You'd think that with the ever growing importance of a college education – combined with wildly escalating tuition prices – the popularity and reliance on 529 College Savings Plans would increase as well.

But according to a **recent Christian Science Monitor article**…

> *"Assets in 529 college savings plans (which differ from 529 prepaid tuition plans) fell from a record high in the first quarter to $157.5 billion in the second quarter – a 0.5 percent decrease, according to Financial Research Corp. (FRC) in Boston. In the third quarter of 2011, net inflows were negative – more funds flowed out than flowed in – the first time that happened since the middle of the Great Recession. In the first half of this year, net inflows were nearly 7 percent below the same period last year and about 60 percent below The second quarter's $2.9 billion in net inflows (contributions minus withdrawals) were 12 percent lower than they were a year earlier, and down nearly half from their prerecession heyday in the mid-2000s."*

When you think about it, the mid-2000s were the heyday for a lot of things whose stars have fallen dramatically. Less than a decade later, we're living in a very different world. And more and more people are starting to realize that the "Emperor (529 Plans) has no clothes."

That, and they are also realizing that life insurance, specially Indexed cash value life insurance, as a college savings tool is a better option.

One of those people, according to the article, is a former stock broker Brian Solik. Given his profession, if anyone would know firsthand that we're not living in the mid-2000s anymore, it's him. After the stock market crash in 2008, he stopped contributing to the three 529 plans for his children and instead began using cash value life insurance for college savings.

His reason – no surprise – was safety. Taking a hit to your investment portfolio is one thing. You have to expect that to a certain degree. But when your children's college savings starts losing value, it's time to rethink your strategy.

Indexed plan - Universal Life
– The True Solution for College Savings

An Indexed plan is hands down the better college savings plan than actual college savings plans.

Among Indexed plan benefits:

- **Indexed plans allow you to save for any person, business or charity regardless of their relation to you**. You can also choose multiple beneficiaries, divided up to receive whatever percentage you set for each. This is a far greater area of flexibility compared to college savings plans, which limit your beneficiaries to family members and close friends.

- **Indexed plans offer unlimited ways to spend your money.** Money withdrawn from a college savings plan is only allowed to be spent on pre-qualified college expenses or else be subjected to federal income tax and possibly a 10% federal tax penalty. Last time I checked, college students ate food, buy clothes, put gasoline in their cars, etc. Indexed plans can help pay for this without penalizing the student.

- **Indexed plans have attractive interest rates and NO downside risk.** That's right, zero risk. Whereas many college savings plans are subject to the turbulent stock market. Can you imagine putting money away for years only to find out that what you cash out is less than the amount you put in?

- **Indexed plans won't *jeopardize a student's chances of getting additional financial aid.*** Compared that to money in a college savings fund, which is factored into the financial aid calculator.

- **And most importantly, guaranteed completion.** By that, I mean an Indexed plan has the ability to guarantee that a savings target will self-complete under all circumstances.

It’s amazing that this secret hasn’t spread like wildfire. Perhaps that can be attributed to the name – Indexed Universal Life insurance. Few people know that it can do so much more than insuring the loss of loved one – for everything that happens in life from college and retirement. It’s time that the world knows more about the full capacity of an Indexed plan.