

Perspective from
Franklin Templeton
Wealth Planning

Kick off your college planning during the first two years of high school

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Funding a college education can be one of the biggest financial goals for a family, and it often requires a comprehensive approach.

Families may benefit by having a plan that incorporates a financial and savings strategy with a 529 plan as the centerpiece, as well as a focused plan to execute throughout the high school years.

Considering the rising costs of college and the declining availability of federal aid, it becomes more important than ever for families to have a savings strategy. In this environment, many families may seek out tax-advantaged accounts like 529 plans to cover more of the costs of college.

Rising costs, declining aid

According to the College Board, the cost of college tuition for the 2023–2024 academic year rose 2.5% for in-state and 3.0% for out-of-state tuition at a four-year public college, from the previous year. The cost of four years at a private, non-profit college rose 4.0% year-on-year.

With shifting budget priorities over the past decade, total federal grant aid decreased by 33% in the decade ending in the 2022–2023 academic year. Federal loans declined by 36% in the same time period. With fewer funds available to borrow, it may prompt families to look at the private market for loans, which typically incur higher interest rates.¹

Four-year action plan

A pillar of a comprehensive plan for college is an action plan to be executed throughout the four years of high school, leading up to the final college decision.

No matter which year of high school your child is starting this year, if college is a future goal, there are actions they can take now to help them stay on track.

In fact, the high school years play a critical role in preparing college-bound students for the application process and ultimately choosing a college.

Parents have their own tasks. While many have college savings well underway, the four years of high school are more focused on finances as student aid applications are due and college choices are considered.

While most parents and students focus on important steps and milestones closer to high school graduation, having an effective plan for the first two years of high school can create a path for a more successful process.

Consider following our “Four-year action plan to prepare for college” at <https://franklintempletonprod.widen.net/s/kqwrhb7bb9/four-year-action-plan-to-prepare-for-college-flyer-apfc-fl>.

Here are some highlights of key items parents and students should be considering for freshmen and sophomore high school years:

Freshman year

Priorities for parents

- Continue or begin saving in a 529 plan. Encourage grandparents and other family members to get involved.
- Help students allocate a certain percentage of their summer job earnings for college expenses. It is also a way to promote good savings habits.
- Consider additional accounts such as custodial UGMA/UTMA or other savings accounts to cover non-qualified college expenses such as transportation.

Actions for students

- Set goals to achieve a solid GPA throughout high school.
- Pursue extracurricular activities to start building a solid resume for the college admission process. College admission officers are more likely to value deeper involvement in an interest or activity rather than sporadic participation in many different areas.
- Consider a part-time job if feasible. Admissions officers will often look favorably to students who have demonstrated a strong work ethic and ability to manage time wisely.

Sophomore year

Priorities for parents

- Review asset allocation within college savings accounts to ensure the investments in accounts, such as 529 plans, are appropriate with the time horizon remaining before withdrawals for college begin. Since distributions are likely in the next few years, investing too aggressively may jeopardize savings in the event of a market downturn.
- Fund a Roth IRA for students who have earnings from employment.
- Consider tax-smart strategies and the impact of income on federal aid. Beginning with next year's tax return, all income will be considered in the aid calculation since the Free Application for Federal Student Aid (FAFSA) process asks for financial information from the "prior prior" year tax return.

Actions for students

- Begin standardized testing with the PSAT in October; this can be a good practice for future tests such as the SAT or ACT.
- Consider including Advanced Placement courses in your class schedule if considering a more selective college, which will likely require that type of coursework in high school.
- Start researching colleges to identify what type of school might be a potential fit depending on academic interests, location, size of student body or cost.
- If pursuing athletics in college (Division 1 or 2 level), be aware that you will need to register with the NCAA. Consider registering near the end of your sophomore year or during your junior year in high school.

Before you begin the planning process: Discuss future dreams

It's important for parents and students to have an in-depth, honest discussion on whether college is the right path. Sometimes families assume their children will want to pursue advanced education through a traditional college or university. But they may have dreams about careers that involve different educational paths, including many trades and arts. Without having this discussion, a family could find they incurred costs or took on loans they didn't need when the student changes course and chooses a different path after high school.

Families should also make note that 529 funds can be used for qualified trade schools and other institutions/educational providers that are not traditional colleges.

Explore Franklin Templeton's resources at <https://www.franklintempleton.com/planning-and-learning/planning-for/education/benefits-of-franklin-templetons-529-plan#whyfranklintempleton529> and learn how a Franklin Templeton 529 plan can help you invest for your child's education.

For more information, speak with your financial professional.

Endnote

1. Source: "Trends in college pricing and student aid." College Savings Board. As of 2023.

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