

Best Practices: Education Planning

Your client or one or more of your client's children may be planning on going to private school or college. In either case, smart fiscal planning will make the process go more smoothly. Furthermore, recent legislation has changed some of the tax benefits and savings opportunities for education planning.

Step 1: Determine Education Plan and Costs

The first part of this process involves some preliminary decision-making on the part of the parent or student client. Some of the questions to ask include:

- When does the student intend to enroll in school and for how long?
- Who will be responsible for paying for school?
- Where is the student planning on attending?
- What is the estimated cost of the education?

There are several online calculators and tools available to assist in determining future college costs. The College Board's calculator is listed as a resource at the end of this document.

Step 2: Determine Education Funding Needs

The client might have already planned for and funded education costs, in which case your role is just to make sure the funds remain available for education and aren't used for something else. There are several means of funding education, including 529 Savings Plans, Coverdell Education Savings Accounts (ESA), drawing from personal savings and checking accounts, scholarships, grants, fellowships, loans, and work-study arrangements. Many students use a mix of these options to fund their education.

- Find out what is currently in place for the student's education savings
- Help your client determine the best savings option(s) and work this savings plan into the client's budget
- Inform your client about state and federal tax benefits associated with college savings plans
- Find out if other family members (e.g. grandparents) are planning on helping with college funding
- You might be able to assist in filling out the FAFSA (Free Application for Federal Student Aid) form if the student plans to apply for financial aid

Step 3: Monitor Education Savings

As the school entry date approaches, you can work with your client to monitor the anticipated costs and the related savings account(s) to ensure the education costs will be covered.

Step 4: Help Client Take Advantage of Available Tax Breaks

While the student is attending school, make sure you are helping the client take advantage of education-related tax credits and deductions available at both the state and federal level.

Step 5: Work with Client on Repayment of Student Loans

The student loan repayment plan should be part of the budgeting process. There are several avenues for handling student loan debt and you can help your client navigate this territory:

- Loan consolidation
- Loan deferment
- Loan refinancing
- Loan prioritization
- Loan forgiveness

Resources:

- The College Board college cost calculator: <https://bigfuture.collegeboard.org/pay-for-college/college-costs/college-costs-calculator>