EDUCATION SAVINGS

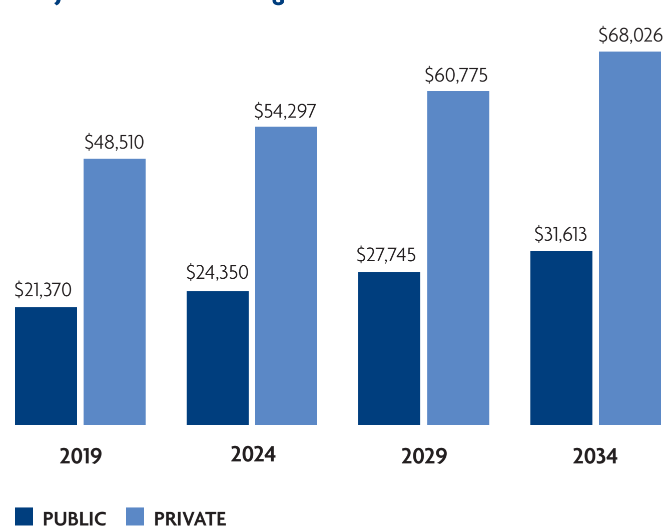
WINTRUST WEALTH MANAGEMENT

Next to buying a home, the cost of a college education is one of the biggest expenses a family will incur. Knowing all the options available is key to a sound education savings plan.

Higher education can provide children with the necessary skills to succeed. However, the cost of education continues to rise. At Wintrust Wealth Management, we understand that determining the best way to save for a child's education can be difficult. To help make this process easier, we provide our clients with the knowledge and understanding of the different savings tools available.

Before considering your savings options, it is important to consider how much you will need to save. As the chart below shows, the cost of sending just one child to college for four years is significant, and education expenses regularly rise faster than inflation. Once you define your expected financial outlay, you can begin to create a plan to prepare yourself.

Projected Annual College Costs[1]



CHOOSING THE RIGHT PLAN

Fortunately, parents and grandparents who intend to cover or contribute to a child's education have more choices today than ever. The table on the next page offers a summary of the many different ways to help save for your loved ones' education.

Clearly, there are many investment vehicles available with a wide range of benefits and restrictions. However, not all are equally well-suited for funding the education needs of your loved ones. While there is no simple answer for what plan is best for someone, there are some general guidelines to consider.

529 Plans are an excellent choice for those who want to contribute more than $2,000 per year, retain control over the assets and how they are used, and to be able to change beneficiaries. They are also well suited for those who are considering using the funds to pay for post-graduate expenses, are considering out-of-state schools, or want the flexibility to choose whatever school they may want down the road.

UGMA/UTMA and Savings Bonds are good for those that may not be sure if they necessarily want to use the funds only for education expenses. Coverdell ESAs should be considered for those looking to save $2,000 a year or less, have a modified adjusted gross income of no more than $110,000, and are confident that the funds will be used by the beneficiary's 30th birthday, and want the flexibility to be able to use for other education expenses than college.

College Savings Plan Comparison Table

	How Much Can You Invest?	Who Controls The Account?	Tax Treatment	Restrictions On Using The Money
529 PLANS A state-sponsored, flexible investment account type with many features and attractive federal and state tax benefits designed to help save for college expenses.	• Varies by state and plan, perhaps as low as $10 a month though total contributions could be as high as $520,000 per beneficiary[3]	• Account owner (not beneficiary)	• Tax-deferred growth • Tax varies by state • Qualified withdrawals are tax-free • No gift tax up to $75,000 for an individual in 1st year of a 5-year period or a total of $150,000 with both spouses contributing	• Withdrawals must be used for a wide range of qualified education expenses • Eligible institutions include post-secondary institutions (both nationwide and accredited overseas institutions)
PREPAID TUITION PLANS These plans allow you to make cash contributions to a qualified trust to pre-pay, at today's prices, some or all of the beneficiary's tuition costs.	• Varies by state; typically $15,000 to $30,000	• Account owner (not beneficiary)	• Tax-deferred growth • Qualified withdrawals are tax-free	• Withdrawals must be used for qualified higher education expenses • Often limited to in-state schools
COVERDELL ESA[2] Formerly known as an Education IRA, these are similar to 529 Plans, but can be used for education expenses other than college (private high school, Montessori school, etc).[3] These also have lower contribution limits than 529s.	• $2,000 maximum annual contribution per child up to age 18; over 18 if beneficiary has special needs	• Parent or other "responsible individual"	• Tax-deferred growth • Qualified withdrawals may be federal-tax-free • Earnings portion of distributions may be taxable in years the American Opportunity Credit or Lifetime Learning Credit is used if same expenses used to qualify for credit.	• Withdrawals must be used for qualified elementary or secondary expenses (K-12)[3], or for qualified higher education expenses
UGMA/UTMA Uniform Gift to Minors Act (UGMA) and Uniform Transfer to Minors Act (UTMA are investment accounts that transfer to the beneficiary's control once the child reaches the age of majority (18 or 21 depending on the state). In both Illinois and Wisconsin, UTMA age of majority is 21.	• Unlimited contributions, but the donor should consider the $15,000 annual gift-tax exclusion	• The custodian, until the minor reaches the age the custodianship terminates (varies by state)	• Unearned income above $2,200 subject to estates and trusts tax schedule • Once the child is over 18 and has earned income greater than half his support, the "kiddie tax" no longer applies	• Must be used for the benefit of the student
SAVINGS BONDS These are low risk, but low return fixed income investments that can be used to save for any future expense, including education.	• Up to $10,000 per year electronically and an additional $5,000 in paper bonds (per social security number)	• Bond owner	• For unrestricted use, tax deferred and state-tax exempt • If adult's bonds after 1989 are used for student's educational expenses, interest may be tax-free	• For tax-free treatment, withdrawals must be used for qualified higher education expenses
ROTH IRA These retirement accounts are generally not taxed provided certain conditions are met. Its principal difference from most other tax advantaged plans is that, rather than granting a tax break for money placed into the plan, the tax break is granted on the money withdrawn from the plan during retirement.	• Currently, up to $6,000 across all Roth and traditional IRAs • Age 50 and older: an extra $1,000 is allowed in 2019	• Account owner (not beneficiary)	• Withdrawals of principal are tax- and penalty-free • Withdrawals of earnings are tax-free after 5 years and age 59½ • Withdrawals of earnings for education expenses may be penalty-free	• None

Financial Aid Considerations	Advantages	Disadvantages
• Considered account owner's assets, unless owned by the student or custodian owned • 529 accounts owned by student are considered parental assets • Penalty-free withdrawals if student receives a scholarship	• Contributions may be made by anyone • Account owner retains control • No family income restrictions • Plans can be transferred to another qualified family member without penalty or to another qualified tuition program once every 12 months	• Tax and 10% penalty on earnings for non-qualified withdrawals • Investment options are limited to those offered by a particular plan
• Balances are included as parental assets	• Low participation costs • Contributions may be made by anyone • No family income restrictions	• Some states won't allow use for out-of-state schools • Traditionally offer fixed, low rate of return • Tax and 10% penalty on earnings for non-qualified withdrawals
• Considered account owner's assets, with the exception of student or custodian-owned ESA • Accounts owned by a dependent student or a custodian for the student are considered the parents' assets • Restrictions apply	• Can transfer account to another child • Contributions may be made by anyone who is under MAGI limits • Withdrawals can be used for qualified K-12 expenses	• Not available to taxpayers for MAGI over $220,000 (joint) or $110,000 (single) • Low contribution limit • Tax and 10% penalty on earnings for non-qualified withdrawals
• Considered student's assets	• Contributions may be made by anyone • No restrictions on amount, purpose, or date of withdrawals • Possibly lower taxation on investment income • No family income restrictions	• No tax deferral • Student gains complete control of money at age of majority (varies by state)
• Considered bond owner's assets • Interest may be taxable in years American Opportunity Credit or Lifetime Learning Credit is used	• Guaranteed minimum return	• Low rate of return • Eligibility for tax-free interest begins phase-out for AGI above $121,600 (joint) or $81,100 (single) as of 2019
• Considered account owner's assets	• Account owner retains control of assets and can use savings for any child • Long-term retirement tax advantages, if not spent for education	• Child must earn income to open own account • Those whose MAGI does not exceed $203,000 (joint) or $137,000 (single) are eligible to contribute. Phase out limitations apply

Finally, those that are sure of the school to which their beneficiary will be admitted and value the idea of locking in current tuition rates should consider Prepaid Tuition Plans. It should be noted, however, that books, fees, and room and board are typically not covered.

> "The best time to plant a tree was 20 years ago. The next best is today."

GETTING STARTED

Thinking through all the options and choosing a plan that works just right for you requires time and a good understanding of the investing, tax, and legal aspects of each option. If you have not yet looked into an education savings plan, or have questions about what is right for you, visit with a Financial Advisor at Wintrust Wealth Management. Our Advisors can evaluate your situation and make appropriate recommendations for an education savings plan that is based on your individual needs.

wintrustwealth.com

Wintrust Wealth Management

INVESTMENTS • TRUST • ASSET MANAGEMENT

1. Total yearly costs for four-year, in-state public and private institutions including tuition, fees, books, room and board, transportation and miscellaneous expenses. Base is 2018-2019 school year. Costs for all future years projected assuming a national average annual increase of 2.6% and 2.3% per year for public and private institutions, respectively. Source: Trends in College Pricing.

2. Formerly known as the Education IRA

3. Figure represents New York's maximum contribution amount. Illinois accepts contributions until all balances in Illinois 529 Plans for the same beneficiary reach $450,000; Wisconsin's maximum is $488,000 per beneficiary.

Please consider the investment objectives, risk, charges and expenses carefully before investing in a 529 savings plan. The official statement, which contains this and other information, can be obtained by calling your financial professional. Read it carefully before you invest. An investor should consider, before investing, whether the investor's or designated beneficiary's home state offers any state tax or other benefits that are only available for investments in such state's 529 college savings plan. The availability of such tax or other benefits may be conditioned on meeting certain requirements.

Our firm does not provide tax or legal advice. Be sure to consult with your own tax and legal advisors before taking any action that may have tax consequences.