EDUCATION

The Gift that Keeps on Giving

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Roger Michaud
Senior Vice President
Director of Sales, Franklin Templeton 529 College Savings Plan

The holiday season is approaching, and with it, the busiest time of the year for shoppers as they search for the perfect gifts for their loved ones. But instead of purchasing the latest toy or electronic gadget for your children or grandchildren, what about giving them the gift of a more secure future? Roger Michaud, senior vice president and director of sales for Franklin Templeton's 529 College Savings Plan, discusses how crowdfunding can help finance a college education—a gift that can keep giving for a lifetime.

Recently, I was struck by two very different articles—one about holiday gift-giving and the other about student debt. However, as I read them, I realized how intertwined they really are. Let me explain. Each holiday season, I find myself researching "best gift ideas for…" and come up with the same old lists. I even try different ways to search: "non-toy gifts," "meaningful gifts" or "best-uncle-ever gifts."

This year, I happened upon a study from the *Journal of Infant Behavior and Development*[1] that found toddlers with fewer toys were more creative and focused. Even those "educational" toys?

That got me thinking about 529 plans and how they are a unique, meaningful gift that will eventually contribute to my family's learning. I also started thinking about the rise in student debt and how helping save for education could help my nieces avoid a large amount of debt later.

Even if you don't have children, you probably have already heard the staggering statistics about student debt in this country. As of the second quarter of 2018, there was more than $1.5 trillion in student loan debt outstanding, triple that of 2001.[2] Various estimates show the average student loan is now more than $30,000 at graduation—quite an amount to face as one starts his or her career.

Many individuals still saddled with debt years after graduation are putting off events like getting married, buying a home or having children of their own because of it.

Despite this mounting debt burden, according to the College Savings Foundation's 12th Annual State of College Savings Survey, more than half (57%) of parents surveyed plan to borrow to pay for their children's college, with 62% of them borrowing primarily through education loans, and 18% through credit cards or a credit line cash advance.[3]

While student loans certainly are a viable option for some families, I would like to pose another idea to help finance a college education during gift-giving season—crowdfunding. What if this holiday season, you swap just one gift for a contribution to a child's 529 college savings plan via a crowdfunding platform?

You probably have heard about crowdfunding, which is a means to raise funds for just about any purpose—including charitable causes, entrepreneurial ventures, medical expenses or yes, even financing a college education.

Now your first reaction might be: “I would not feel comfortable asking other people to pay for my child’s education!” But when you have relatives or others in your child’s life who you know are planning to give them a gift in any case, this can become a more comfortable option. Perhaps they pair a small traditional gift with a college savings contribution.

Consider this: the College Savings Foundation survey also found that 40% of parents who responded said their children had considered *not* going to college at all, up from 28% last year. Why? A third of those parents said that their child didn’t want them to be paying that much money.[4]

However, it is still the case that, overall, college graduates out-earn high school graduates over their lifetimes. Data from the US Bureau of Labor Statistics show high school graduates aged 25 and up working full time had median weekly earnings of $726, while those with a bachelor’s degree earned $1,310, and those with advanced degrees (professional or master’s degree and above) earned $1,512.[5] In addition, the unemployment rates tend to be higher among those without college or advanced degrees.

“Spryng” into the Holiday Gifting Season

There’s an adage about holiday gifting for children: Give them something they want, something they need, something to wear and something to read.

While a contribution to a 529 plan may not be something a child necessarily wants today, it is something that many need. Enter Spryng, Franklin Templeton’s college savings crowdfunding solution.

In addition to being good for the kids, Spryng is a great way to help family members who, like me, struggle to find the perfect gift. “I don’t know what to get!” or “What does Molly want this year?” Over the holidays, these are common sayings. With Spryng, you have an answer.

Designed exclusively for Franklin Templeton 529 plan account owners,[6] Spryng is a personal crowdfunding tool designed to help meet the increasing cost of college and certain trade schools. It takes just a few minutes to set up a Spryng account for a beneficiary and share it with friends and family.

Please note that to create a Spryng profile, you will need to have a Franklin Templeton 529 Savings Account or NJBEST New Jersey’s 529 College Savings account.[7]

Make this holiday season a memorable one. The gift of education lasts a lifetime.

Learn about 529 College Savings Plans at Franklin Templeton and talk to an advisor for savings ideas and strategies that are best for you and your family. See our 529 plan Investor Handbook for complete information.

What Are the Risks?

All investments involve risks, including possible loss of principal. 529 plan underlying funds have risks that will cause your investment return and principal value to fluctuate. Stocks tend to fluctuate dramatically over the short term. Bond prices generally move opposite to interest rates; as bond prices adjust to a rise in interest rates, a fund’s share price may decline. High-yield, lower-rated bonds generally have greater price swings and higher default risks. Foreign investing, especially in developing markets, has additional risks such as currency and market volatility and political or social instability. These and other risks are discussed in each fund’s prospectus.

Savings can be used for any qualified tuition expense. Additionally, for accredited higher education schools (e.g. college or vocational schools), savings can be used for additional qualified expenses including mandatory fees, supplies, books or other required equipment, and room and board, if the beneficiary is enrolled at least half-time. Federal tax law now provides that up to $10,000 per year may be withdrawn from a 529 savings plan federal income-tax free, if used for tuition expenses at private, public or religious primary and secondary (K-12) schools. It is not currently clear what public K-12 school costs, if any, will be regarded as tuition for this purpose. State tax benefits and treatment of withdrawals for K-12 tuition may vary by state, may not have been updated for changes in federal tax law and may be uncertain; consult a tax professional concerning your state.

Tax benefits are conditioned on meeting certain requirements. Federal income tax, a 10% federal tax penalty, and state income tax and penalties may apply to nonqualified withdrawals of earnings. Generation-skipping tax may apply to substantial transfers to a beneficiary at least two generations below the contributor. Gift examples are general; individual financial circumstances and state laws vary—consult a tax advisor before investing. If the contributor dies within the five-year period, a prorated portion of contributions may be included in his/her taxable estate. See the Investor Handbook for more complete information.

An investment in Franklin Templeton 529 College Savings Plan does not guarantee any specific rate of return or that your college investing goals will actually be met. The value of an investment in the plan may fluctuate, and investors may have a gain or a loss from investment in the plan.

This is not a recommendation of any particular security, is not based on any particular financial situation or needs, and is not intended to replace the advice of a qualified financial advisor. Before making any financial commitment regarding a Section 529 college savings plan, consult with an appropriate financial advisor.

Investors should carefully consider Section 529 college savings plan investment goals, risks, charges and expenses before investing. To obtain a 529 plan disclosure document, which contains this and other information, talk to your financial advisor or call Franklin Templeton Distributors, Inc., the manager and underwriter for a 529 plan at (800) DIAL BEN / (800) 342-5236 or visit franklintempleton.com. You should read the 529 plan disclosure document carefully before investing or sending money and consider whether your or the account 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 its qualified tuition program.

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1. Source: Infant Behavior and Development, “The Influence on the number of toys in the environment on toddler’s play.” Volume 50, February 2018.

2. Source: Federal Reserve Bank of St. Louis, “Student Loans Owned and Securitized, Outstanding.” Data as of second-quarter 2018.

3. Source: College Savings Foundation, 2018 State of College Savings Survey.

4. Ibid.

5. Source: US Department of Labor, Bureau of Labor Statistics, July 2018.

6. Offered and administered by the New Jersey Higher Education Student Assistance Authority (HESAA); managed and distributed by Franklin Templeton Distributors, Inc. an affiliate of Franklin Resources, Inc., which operates as Franklin Templeton Investments. No federal or state guarantee. Principal value may be lost and investing in the plan does not guarantee admission to college or sufficient funds for college. Please refer to the *Investor Handbook* for more complete information.

7. Franklin Templeton 529 College Savings Plan and NJBEST New Jersey's 529 College Savings Plan are offered and administered by the New Jersey Higher Education Student Assistance Authority (HESAA); managed and distributed by Franklin Templeton Distributors, Inc., an affiliate of Franklin Resources, Inc., which operates as Franklin Templeton Investments. No federal or state guarantee. Principal value may be lost, and investing in the plan does not guarantee admission to any particular primary or secondary school or to college or sufficient funds for primary or secondary school or for college. Please refer to the *Investor Handbook* for more complete information.