Education funding strategies

Helping you pave the way to future success

It's hard to overestimate the value of a college education. But, as you know, it can come with a hefty price tag and a considerable amount of debt.

While choosing the right college is important, figuring out how to pay for it may be just as important. You can help by financially supporting whatever path your loved one chooses.

Time is one of your greatest assets when it comes to saving for college. By starting early, you've taken a critical step to helping lessen the financial impact of earning that college degree.

Do your homework

Get a head start by researching college planning and funding strategies on thrivent.com/student-resources. Young people have a host of resources to consider that may help them pay for college, from grants to public and private scholarships, to student loans and work-study programs. You can give them a head start with one of these funding options:

- Roth and traditional individual retirement accounts (IRAs)
- 529 college savings plans
- Coverdell education savings accounts
- Permanent life insurance
- Uniform Gifts or Transfers to Minors Act (UGMA/UTMA)
- Trusts
- Nonqualified savings plans

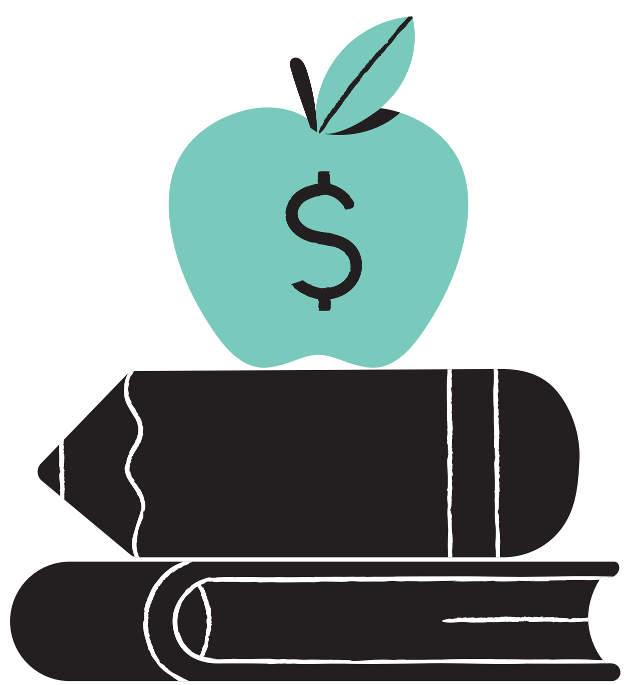
See information on each of these options starting on the next page.

Set goals and create your strategy

Start by asking yourself:

- What is my savings timeline?
- How much will college cost after financial aid?
- How much can I afford to save each month?
- How will this impact my other financial goals?

Visit thrivent.com/student-resources for tools and resources to help you set goals. And contact your Thrivent financial advisor for more guidance.



Education funding strategies	**Roth IRA** Distributions of earnings used for higher education expenses avoid the 10% federal premature distribution penalty. If your loved one doesn't need the money for college, distributions may be used for your retirement.	**Traditional IRA** Distributions used for higher education expenses avoid the 10% federal premature distribution penalty. If your loved one doesn't need the money for college, distributions may be used for your retirement.	**529 College Savings Plan**[4] Offers high contribution limits, tax-deferred growth and income tax-free withdrawals when used to pay qualified higher education expenses. Because 529 plans are sponsored, they can vary by state.
How much may be contributed?	$7,000 annual contribution for 2024 and $6,500 in 2023 if individual has earned income. Additional $1,000 annual catch-up contribution if age 50 or older.[1]	$7,000 annual contribution for 2024 and $6,500 in 2023 if individual has earned income. Additional $1,000 annual catch-up contribution if age 50 or older.	Depends on the individual state plan.[5]
Who has control?	Account owner.	Account owner.	Account owner.
Are there any tax benefits?	Tax-deferred growth. Contributions are distributed first, tax-free and penalty-free. Qualified distribution[2] of earnings not subject to tax or penalty. Nonqualified distribution of earnings subject to tax and 10% premature distribution penalty. Can avoid 10% premature distribution penalty on earnings if used to cover qualifying expenses for self, spouse, children or grandchildren at an accredited postsecondary institution.	Tax-deferred growth. Contributions may be tax-deductible. Distributions are taxable.[3] Can avoid 10% premature distribution penalty on contributions and earnings if used to cover qualifying expenses for self, spouse, children or grandchildren at an accredited postsecondary institution.	Tax-deferred growth and income tax-free withdrawals when used for qualified higher education expenses for named beneficiary. Contributions may be tax-deductible at the state level. Distributions are pro-rated between contributions and earnings. If the distribution is not for an "eligible education expense" the earnings will be taxable and subject to a 10% premature distribution penalty.
Which education expenses qualify?	Tuition, fees, books, supplies, room and board (limits apply), expenses for special needs services for special needs beneficiary and required equipment at an accredited postsecondary institution.	Tuition, fees, books, supplies, room and board (limits apply), expenses for special needs services for special needs beneficiary and required equipment at an accredited postsecondary institution.	Tuition, fees, books, supplies, room and board (limits apply), expenses for special needs services for special needs beneficiary and required equipment at an accredited postsecondary institution. Up to $10,000 per year can be used for elementary or secondary tuition expense. Up to $10,000 lifetime maximum can be used for qualified student loan repayments.
Does this asset impact federal financial aid?	No for accumulated assets, but withdrawals must be reported as either income or untaxed income on the following year's financial aid application.	No for accumulated assets, but new contributions and withdrawals must be reported in the following year's financial aid application.	Yes, when combined value of assessable parent assets—including education savings account balances owned by the parent, student and dependent siblings—exceed the parent's asset protection allowance.[6] No, for accumulated assets when plan is owned by a nonhousehold member such as a grandparent, aunt, etc., but withdrawals from these third-party plans must be reported on the following year's financial aid application and will impact future aid.[6]

Refer to IRS Publication 970 for details. Tax-related information provided at the federal level; individual states may vary. Tax law is complex and subject to change. Thrivent and its financial advisors and professionals do not provide legal, accounting or tax advice. Consult your attorney or tax professional.

[1]Contribution reduced if MAGI is between $146,000 and $161,000 on a 2024 single return and $230,000 and $240,000 on a 2024 joint return. For 2023, contribution reduced if MAGI is between $138,000 and $153,000 (single) and $218,000 and $228,000 (joint). If you are a married taxpayer who files separately, consult your tax professional.

[2]Roth account was established at least five years prior to distribution and the owner is 59½, disabled or is making a first-time home purchase (lifetime maximum of $10,000).

[3]Any portion of the distribution that consists of after-tax contributions is exempt from tax upon distribution.

[4]Offered through a brokerage arrangement with Thrivent Investment Management Inc. 529 college savings plans are not guaranteed or insured by the FDIC and may lose value. Consider the investment objectives, risks, charges and expenses associated before investing. Read the issuer's official statement carefully for additional information before investing. Investigate possible state tax benefits that may be available based on the state sponsor of the plan, the residency of the account owner, and the account beneficiary. Consult with a tax professional to analyze all tax implications prior to investing.

Coverdell Education Savings Accounts	Permanent Life Insurance[7]	Uniform Gifts/Transfers to Minors Act (UGMA/UTMA)	Trusts	Nonqualified Savings Plans
Gives complete investment control and flexibility. Earnings grow tax-deferred and withdrawals are income tax-free when used to pay qualified education expenses. Distributions may be used to cover college and K–12 expenses.	Designed to provide long-term protection plus the ability to accumulate cash value. Permanent insurance can be either traditional whole life or flexible, such as universal life or variable universal life.	Irrevocable gifts ensure that the assets will be used to benefit a specific child. Since the money does not have a specified purpose, no penalties are imposed if used for something other than education.	Several options exist, including trusts that distribute money only when used for education. Trusts allow control over the assets for as long as the donor wishes.	Rewards highly compensated employees by deferring payment. Under these plans, an employer doesn't contribute money to retirement plans on the employee's behalf. It defers a portion of salary until a later date—such as after the employee retires or leaves the company.
$2,000 per year, per student.	Premiums paid can vary and will depend on the amount of coverage purchased and age and health of insured.	Unlimited.[9]	Unlimited.[9]	Unlimited.
Parent or guardian.	Account owner.	Custodian who is named by the donor until student reaches age of majority.	Trustee who is named by the donor.	Account owner.
Tax-deferred growth. Tax-free distributions if used for qualified education expenses.	Tax-deferred growth of the accumulated value. Tax-free death benefits and tax-free loans.[8]	Investment income may be subject to "kiddie tax" rules.	No.	Generally the earnings are taxed as ordinary income upon receipt. However, some investments may have more favorable tax treatment.
K–12 and accredited postsecondary institutions: tuition, fees, books, supplies, room and board (limits apply), and required equipment and expenses for special needs services for special needs beneficiary. K–12 only: academic tutoring, uniforms, transportation, supplementary items and services, computer equipment, technology and Internet access.	No requirement that dollars be used for education.	No requirement that dollars be used for education.	Depends on trust language.	No restriction.
Yes, when combined value of assessable parent assets—including education savings account balances owned by the parent, student and dependent siblings—exceed the parent's asset protection allowance.[6] No for accumulated assets when plan is owned by a nonhousehold member such as a grandparent, aunt, etc., but withdrawals from these third-party plans must be reported on the following year's financial aid application and will impact future aid.[6]	No. Under current guidelines, life insurance cash value is not considered for federal financial aid unless surrendered.	Yes, considered an asset of the child.	Maybe, depending on the structure of the trust.	Yes, considered an asset of the parent.

[5] Contributions are subject to annual gift exclusions, although up to five years of gifts may be prepaid.
[6] Higher Education Reconciliation Act of 2005.
[7] The primary purpose of life insurance is to provide a death benefit.
[8] Loans and surrenders will decrease the death proceeds and the value available to pay insurance costs, which may cause the contract to terminate without value. Surrenders may generate an income tax liability, and charges may apply. A significant taxable event can occur if a contract terminates with outstanding debt. Loaned values may accumulate at a lower rate than unloaned values.
[9] Contributions in excess of the annual gift exclusion will require a gift return and reduce the lifetime gift allowed.

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Visit thrivent.com/student-resources for access to free college planning tools and other options. And talk to your Thrivent financial advisor about creating a strategy to fund the education your loved one deserves.

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