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U C C E S S

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Using Your Roth IRA to Pay for College Costs

With the cost of higher education soaring every year, parents may find they have competing demands for their savings, leaving some parents wondering if they should use their Roth IRA to pay for college expenses.

The Roth IRA is becoming a popular way to save for retirement because of its tax-free growth of earnings. The additional benefit is that because contributions are made with after-tax dollars, you can withdraw the contributions at any time without having to pay a penalty or taxes. For these reasons, using a Roth IRA to pay for college expenses can be attractive to many parents.

Financial Planning First

You need to have a solid financial plan before making decisions about participation in any college savings plan. This plan should include:

- ✓ Contributing enough to your work retirement plan to receive the full employer match.
- ✓ Saving as much as you can in retirement accounts; 10% to 20% of your income is recommended.
- ✓ Eliminating high-interest debt, such as credit cards.
- ✓ Having an emergency fund with enough to cover 3 to 6 months of living expenses.

Retirement Planning Is a Higher Priority

Before saving for your child's college education, ensure you are on track with your retirement income goals. While you can borrow money for college with a low interest rate student loan, it doesn't make sense to fund your retirement by accumulating debt.

If you put college savings ahead of retirement savings, you may

need to delay your retirement, sell investments or other assets earlier than planned, or live with financial stress when you should be focused on enjoying your retirement because you don't have enough money to retire.

Should You Use Your Roth IRA to Pay for College?

For some parents, using a Roth IRA to pay for college allows them

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Using Your Roth IRA

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to save for retirement while also using the account to help pay for college. The Roth IRA does have some unique benefits that make it an option to pay for college if you have your finances in order.

Pros

Here are some of the benefits of using a Roth IRA as part of your college savings plan:

✔ Original contributions can be withdrawn from the account without having to pay any tax or penalty. The earnings in a Roth IRA only grow tax-free if the account has been opened at least five years and distributions happen after age 59½. Since the contributions are made with after-tax dollars, they can be withdrawn at any time.

✔ You can develop a withdrawal strategy to use the contributions to pay for college expenses while allowing the earnings to continue to grow tax-free for your retirement.

✔ Roth IRAs have more investment options than other types of accounts. Most 529 college savings plans have limited investment options, but the Roth IRA is a type of retirement savings account that can contain various investments.

Cons

Here are some of the cons of this strategy:

✔ Roth IRAs have income limitations. If you are married filing a joint tax return, you are ineligible to contribute to these accounts if you earn more than \$236,000 in 2025. For single filers, the income threshold is \$150,000. However, if you are eligible to contribute to a Roth IRA, the downside risk of using it to pay for college expenses is that you may need to delay your retirement if you do not have other funds for retirement.

✔ The contribution limits for a Roth IRA are lower than col-

4 Reasons Your Child Should Work Part Time

Don't feel guilty about your child working while attending college. Working as little as a few hours a week can be remarkably beneficial.

It Boosts Accountability — Encouraging your child to work part-time as soon as possible and setting a portion of their earnings away for college can give them a much better appreciation for their college education. Nonworking students can struggle to understand just how expensive their tuition and living expenses are and the sacrifices involved in paying those costs.

It Can Cut Down on Costs — Even the smallest contributions can quickly accumulate, decreasing the balance of their tuition bill, paying for the new laptop they need, or cutting down on the monthly student loan payments they'll owe after graduation.

It Teaches Life Skills — Whether they're answering phones or delivering pizzas, part-time jobs provide teenagers and young adults with a different set of skills than what they'll derive in class. Because they're interacting more with adults in a real-world setting, they'll develop the vital communication and problem-solving skills they'll need in their post-college career much sooner, which could lead to greater opportunities earlier on.

It Encourages Networking — There's a well-known saying that success is closely linked with who you know. Sure, they'll make friends in the dorm, but a part-time job encourages them to connect with peers on a different level that could lead to valuable opportunities in the future. A job allows them to further develop their individual talents and strengths. ○○○

lege savings accounts, such as a 529 plan. In 2025, you can contribute \$7,000 per year to a Roth IRA and \$8,000 if you are over 50 years of age. Another issue with using Roth IRA contributions to pay for college is that the distributions count as untaxed income, so when you complete the FAFSA form for financial aid, it could reduce your child's eligibility.

529 Plans May Be a Better Option

If saving for college is your primary goal, a 529 plan may be a better option because of the benefits, which include:

✔ Earnings grow tax free, and the money is not federally taxed when you take withdrawals to pay for college expenses. Many states offer a full or partial tax deduction or credit on 529 plans. You can now take tax-free withdrawals up to \$10,000 for private, public, or reli-

gious elementary and secondary schools per year.

✔ The owner, not the student beneficiary, is in control of the account to assure the money is used for college expenses.

✔ The account is flexible, allowing you to change your investments.

✔ Unlike the Roth IRA, 529 plans have no income limits, age limits, or annual contribution limits. There are lifetime contribution limits, which vary by plan, ranging from \$235,000 to \$550,000.

✔ In 2025, you can gift up to \$19,000 per person and qualify for the annual gift tax exclusion. You can also deposit a lump-sum of \$95,000 to cover five years without triggering a gift tax.

Please call your financial advisor if you'd like to discuss this in more detail. ○○○

Avoid These Estate Planning Mistakes

When it comes to estate planning, Americans make a lot of mistakes. From putting off creating key documents, forgetting to update their plan after a divorce or remarriage, or neglecting to leave instructions about what to do with certain assets, many people are leaving a legacy of frustration and confusion for their heirs. You can save those you leave behind money and time by not making these estate planning mistakes.

Not Having a Will — Not having a will is probably the biggest estate planning mistake you can make. It's also one of the easiest to fix. An attorney can help you draft a simple will that offers instructions on what to do with your assets and who should care for your minor children, among other matters. What happens if you don't have a will? The courts decide who gets your property and who will assume guardianship of your kids — and it may not be who you would have chosen.

Not Updating Your Estate Plan after Life Changes — Some people think that estate planning is a set-it-and-forget-it issue. But your estate plan needs to evolve with your life. If your family grows, a marriage ends, or you acquire new wealth, you may need to update your will, beneficiary designations, and other documents. One key thing to remember: Don't forget to check your beneficiary designations on retirement plans and insurance policies periodically. The people listed on these forms will receive those assets, even if your will says otherwise. If you name one child as the beneficiary of your IRA and then neglect to add your second child to the form after his/her birth, you'll end up disinheriting one of your children.

Not Working with an Estate Planning Attorney — Online legal

sites and fill-in-the-blank documents have given many people the mistaken idea that estate planning is a do-it-yourself activity. Nothing could be further from the truth. The legal issues surrounding estates can be quite complicated. A skilled attorney (working in partnership with your other advisors) can help you avoid complications and design an estate plan that is complete without unintended consequences.

Not Thinking about Long-Term Care — The average 65-year-old has a 68% chance of becoming disabled and needing long-term care during their lifetime. If you don't have a plan for how you might pay for that care, you can quickly exhaust your savings, leaving little for your heirs when you do pass away. Smart planning strategies, like purchasing long-term-care insurance or certain types of life insurance, can allow you to protect your wealth for your loved ones while also helping you afford the care you need.

Not Taking Steps to Avoid Family Conflict — Disagreements among family members over how your assets are distributed after your death can lead to permanently damaged relationships and expensive litigation. A detailed, well-thought-out estate plan will help prevent conflict, as your wishes will be clear and there will be less opportunity for legal challenges. Even more important, however, is thinking about your unique family dynamics and taking steps to help

ensure everyone you love is treated fairly. For example, if you have children from a prior marriage, you may need to take special steps to make sure that they aren't disinherited if you pass away. In some cases, you may be able to head off trouble by sitting down with your loved ones and explaining your plans, so that no one is blindsided after your death.

Not Thinking about Digital Assets — These days, many of us live a significant portion of our lives online. As you develop your estate plan, you may want to include instructions for how to handle your digital assets. Putting together a master list of accounts and passwords (particularly for financial accounts) will make things easier on your family as they try to sort out your affairs. But you may also want to include information about your other online assets, like social media accounts, online photo albums, libraries of digital videos and music, and even online businesses, so your family can gain access to that information as well.

Fortunately, it is fairly easy to avoid — or correct — any of these estate-planning mistakes. Working with an experienced estate-planning attorney, along with your financial advisor and other professionals, can allow you to create a comprehensive estate plan that protects you and your family. Please feel free to call to discuss this in more detail.

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Dealing with Bond Price Fluctuations

There are two primary factors that have an effect on bond prices: interest rate changes and credit rating changes. Interest rate changes will typically cause a bond's value to fluctuate more than credit rating changes.

As interest rates rise, a bond's price will fall, while the bond's price will increase when rates decrease. Simply put, bond prices and interest rates move in the opposite direction. Also, bonds with longer maturity dates are more vulnerable to interest rate changes, since the difference will impact the bond for a longer time period.

Credit ratings also influence a bond's price. When a bond is issued, rating agencies assign a rating to give investors an indication of the bond's investment quality and relative risk of default. Typically, higher-rated bonds pay a lower interest rate than lower-rated bonds. After the bond is issued, the rating agencies continue to monitor it, making changes if warranted. A bond's price tends to decline when a rating is downgraded and increase when a rating is upgraded. The price change brings the bond's yield in line with other bonds with a similar rating.

If you want to help minimize

the risk of price fluctuations, consider these tips:

✓ If you hold a bond to maturity, you receive the full principal value, so you won't be affected by any price fluctuations. Thus, consider purchasing bonds with maturity dates that align with when you will need your principal.

✓ Consider investing in bonds with shorter-term maturities, which are less susceptible to interest rate changes.

✓ Design your bond portfolio using a ladder, so you'll have bonds coming due every year or so. This strategy typically lessens the effects of interest rate changes. Since the bonds are held to maturity, changing interest rates won't result in a gain or loss from a sale. Bonds are maturing every year or two, so your principal is reinvested over a period of time instead of in one lump sum. A bond ladder keeps your bond portfolio invested in a range of maturity dates, evening out your interest income.

✓ Choose bonds that match your risk tolerance. Safer bonds, such as U.S. Treasury bonds or investment-grade corporate bonds, are less susceptible to credit rating risks. ○○○

Shopping for College Education Value

Take aim at elite, private schools with generous financial aid programs. Some of the priciest elite schools are considered the top bargains because they have generous financial aid policies that deeply discount their sticker prices. The annual net cost can actually be lower than the full total annual cost of a state university.

Consider top-rated state universities. For state residents, state colleges and universities remain the best bargains among four-year schools. For out-of-state residents, however, costs rival the full price at private colleges and university.

Reach for rock-bottom state school bargains. Do an internet search for the cheapest colleges, and you can find lists of the least-expensive public colleges and universities.

Take the community college route. In the last decade, community colleges have not just been for low-income families, students who can't get accepted to a four-year college, or those who just want an associate's degree. Instead, they are being used by affluent families as a deliberate way of holding down the cost of getting a bachelor's degree. ○○○

Financial Thoughts

Workers and their spouses continue to expect to draw their retirement income from a wide variety of sources. Eighty-seven percent of current workers expect Social Security to be a major or minor source of income in retirement, but they believe that personal savings will also play a large role: 84% say they anticipate receiving retirement income from a workplace retirement savings plan, 68% from a regular individual retirement

account, and 78% from personal retirement savings and investments. Seventy-two percent expect work for pay to provide income in retirement, 63% expect to receive income from a defined benefit or traditional pension plan, and 55% expect to receive income from a financial product that guarantees monthly income for life.

U.S. household wealth reached \$148 trillion in 2024. The richest 1% of households own

31% of US wealth, the wealthiest 10% of households account for 67% of US wealth, and the bottom 50% of households own just 3% of US wealth.

Approximately 56% of Americans now say they pay more than their fair share in taxes, up from 49% in 2021. Roughly a third (34%) say they pay about the right amount, and 8% say they pay less than their fair share. ○○○