Back to School
SALES KIT

In this kit:
Producer guide | Client profile | Case study | Consumer guide | Helpful articles

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College funding with permanent life insurance

Help your clients gain financial protection and help pay for college

Agent guide

North American Company for Life and Health Insurance Since 1886 | Life

A financial shield against the unthinkable & a way to help pay tuition costs

The primary purpose of life insurance is to provide a death benefit to beneficiaries. It can be designed to meet your clients' changing needs with features such as a flexible death benefit and flexible premiums. The death benefit protection can make life insurance an attractive choice for establishing a self-completing plan to help fund a college education.

Earning a college degree today can now cost a significant amount—and that amount continues to rise faster than the rate of inflation.** With the spiraling costs of earning a diploma, your clients should review their options. An option to consider is permanent life insurance. Permanent life insurance provides death benefit protection and a way to potentially accumulate tax-deferred cash value growth.[1]

Two big drivers are creating an interest for using life insurance for death benefit protection and as a possible source for college funding. The first is lack of death benefit protection for many families, and the second is the rising costs of tuition. Consider these facts:

*Four in 10 households without any life insurance would have immediate trouble paying living expenses if their primary wage earner died.**

*Over the past decade, published tuition and fees for in-state students at public four-year colleges and universities increased at an average rate of 3.1% per year beyond the rate of general inflation.***

With the lack of death benefit protection and the continuing rise of tuition costs, families today need a solution to these two problems. In this guide you'll discover how to help your clients financially protect against the unthinkable while helping supplement their college savings plans with the potential cash value of permanent life insurance.

*2019 Insurance Barometer Study (Life Insurance and Market Research Association [LIMRA] and Life Happens)

**Trends in College Pricing. © 2018 The College Board. www.collegeboard.com.

What's inside

A close look at college funding

Research shows that six in ten Americans are covered by individual life insurance, however 30% know they need more.* Combine this with rising tuition costs, and many families are faced with a challenge.

Life insurance can give families protection should the insured die. His or her family will receive funds to continue their lives. The life insurance in this case may be described as "self completing" with respect to the family's college savings goal, meaning that the death benefit can be used to complete the college savings plan and help pay for college.

Additionally, with permanent life insurance, cash values may be accessed for other emergency needs if they arise, giving families a comprehensive financial protection strategy.

*Life Insurance and Market Research Association (LIMRA), Life Insurance Awareness Month, September 2015.

Understanding the concept

The first thing to remember is that life insurance provides death benefit protection. The cornerstone of a solid financial plan begins with life insurance. The college funding strategy using life insurance typically includes three parts.

1. Should a premature death occur, the life insurance death benefit could be used to complete the insured's college savings goal and help pay for college.
2. The second part of the strategy is tax-deferred[1] and potentially tax-free income through policy loans to help supplement your clients' other saving sources for college.[2]
3. After helping to pay college tuition, your clients can repurpose the policy and use it to help supplement retirement income while continuing to protect the family with the death benefit.

Why life insurance for college funding?

Key advantages

Let's take a look at several advantages of using life insurance for college funding.

- **Immediate death benefit protection.** Your clients can gain immediate death benefit protection from the start. Plus, the proceeds from the policy can help the family pay final expenses, plus help pay for college.
- **Parental stewardship.** The policyowner has control of the policy's potential cash value. Should plans change, the cash value may be used for purposes other than college funding without tax consequences.[2] This same flexibility may not be available with other financial vehicles.
- **Income tax-free death benefit.** When the insured passes away, the death benefit passes generally income tax-free to beneficiaries.[2]
- **Tax-efficient access to potential cash values.** Parents may access funds in a life insurance policy to pay for college expenses on a tax-free basis through loans or withdrawals as long as the policy is not a modified endowment contract (MEC).[3,4]
- **Diversification.** Life insurance offers a way to help clients allocate funds outside of other options, providing a way to spread any potential risk.
- **Tax-deferred growth.** With life insurance, any cash values grow on a tax-deferred basis.[1]

Items to consider

There are many ways to help pay for college tuition costs, and it's important to review several options. A thorough needs-based analysis will help your clients decide on a direction appropriate for their situation.

- **Avoid modified endowment contract (MEC)[4] status.** Weigh the MEC status with other benefits and considerations in the policy. In some circumstances, a policy that is considered a MEC may be subject to tax when a client accesses the cash values with loans or withdrawals.[3]
- **Non-guaranteed performance.** Cash values for loans and withdrawals in later years may be more or less than originally illustrated.
- **Insurance charges.** Permanent life insurance policies require monthly deductions to pay the policy's charges and expenses, some of which will increase as the insured gets older. These deductions may reduce the cash value of the policy.
- **Surrender charges.** Withdrawals may be subject to surrender charges and the amount available for policy loans.[3]
- **Loss of premium.** Depending on funding, life insurance may not guarantee avoiding loss of premium.
- **Maintaining the death benefit.** Additional premiums may be necessary to continue the desired death benefit, depending on funding.

How it works

Your clients should use personal savings as the main source for college funding. However, a key challenge with personal savings is that if the family's primary breadwinner passes away unexpectedly, personal savings plans may come to an abrupt end. Life insurance can help ensure the funding amount is available to pay for college tuition costs.

Additionally, a client's death doesn't have to be the key trigger event. Permanent life insurance with the opportunity to accumulate cash value may be used to help pay for college costs. A policy such as indexed universal life insurance may generate cash value growth while protecting against downside risk.

The fundamentals of the strategy are quite basic.

- The client purchases a permanent life insurance policy that provides death benefit protection and a way to help accumulate cash value.
- Potential cash value growth is accumulated on a tax-deferred basis.[1]
- Should the client die prematurely, the death benefit may be used to help pay college tuition costs. This event would complete the strategy.
- Alternatively, when it comes time to help pay tuition costs, the client may access the policy's cash values through generally tax-free loans or withdrawals.[3]
- After helping to pay tuition costs, clients may repurpose the policy for other possible needs, like helping to supplement retirement income, while still providing death benefit protection.

Client profile

There are potentially many clients in need of financial protection and a way to help fund the costs of a college education. The typical client profile may include:

- Those with a need for death benefit protection.
- Young families with children up to age 13.
- People concerned about college tuition costs.
- Those who are possibly looking to help supplement income in retirement years.

Why North American?

Turn to North American for help with your college funding cases. In addition to our knowledgeable Sales Development team, you'll gain several benefits including:

- Competitive products. A robust product portfolio that meets your clients' needs for death benefit protection. For clients looking for solutions for college funding in addition to death benefit protection, consider products within our portfolio that can help generate cash value, like indexed universal life insurance (IUL). Here's why to consider IUL:
  - Interest credit is never less than zero percent, subject to cap on interest credits.
  - Clients can choose from several index selections, for cash value growth potential.
  - Our products guarantee that the account value has earned at least a 2.5% average per year calculated from policy issue every ten years.
  - Accelerated death benefits are available to help with living needs should certain conditions be met.
- Fair and consistent underwriting. You can depend on North American to provide fast turnaround times on your submitted business.
- Competitive compensation. Your time and commitment can be well-rewarded with our generous compensation. Plus, we take a collaborative approach to help grow your business and are here to answer your questions and provide guidance along the way.
- Financial stability. Our financial ratings are sound, and private ownership means we're focused on long-term value.[5]
  - A+ (Superior) A.M. Best (2nd of 15 categories)
  - A+ (Strong) Standard & Poor's (5th of 22 categories)
  - A+ (Stable) Fitch Ratings

Resources

Sales development

Phone: 800-800-3656, ext. 10411

Email: salessupport@nacolah.com

Hours: 7:30 a.m. – 5 p.m. CT, Monday through Thursday;
7:30 a.m. – 12:30 p.m. Friday

Agents offering, marketing, or selling accelerated death benefits for chronic illness in California must be able to describe the differences between benefits provided under an accelerated death benefit for chronic illness and benefits provided under long-term care insurance to clients. You must provide clients with the ADBE Consumer Brochure for California that includes this comparison. Comparison is for solicitation purpose only, not for conversions.

1 The tax-deferred feature of universal life or indexed universal life insurance is not necessary for a tax-qualified plan. In such instances, your client should consider whether other features, such as the death benefit and optional riders make the policy appropriate for the client's needs. Before purchasing a policy, your client should obtain competent tax advice both as to the tax treatment of the policy and the suitability of the product.

2 Neither North American Company for Life and Health Insurance nor its agents give legal or tax advice. Please advise your customers to consult with and rely on a qualified legal or tax advisor before entering into or paying additional premiums with respect to such arrangements.

3 In some situations, loans and withdrawals may be subject to federal taxes. Clients should be instructed to consult with and rely on their own tax advisor or attorney for advice on their specific situation. Income and growth on accumulated cash values is generally taxable only upon withdrawal. Adverse tax consequences may result if withdrawals exceed premiums paid into the policy. Withdrawals or surrenders made during a Surrender Charge period will be subject to surrender charges and may reduce the ultimate death benefit and cash value. Surrender charges vary by product, issue age, sex, underwriting class, and policy year.

4 For most policies, withdrawals are free from federal income tax to the extent of the investment in the contract, and policy loans are also tax-free so long as the policy does not terminate before the death of the insured. However, if the policy is a Modified Endowment Contract (MEC), a withdrawal or policy loan may be taxable upon receipt. Further, unpaid loan interest on a MEC may be taxable. A MEC is a contract received in exchange for a MEC or for which premiums paid during a seven-year testing period exceed prescribed premium limits (7-pay premiums).

5 A.M. Best is a large third-party independent reporting and rating company that rates an insurance company on the basis of the company's financial strength, operating performance, and ability to meet its obligations to policyholders. Rating shown reflect the opinion of the rating agency and are not implied warranties of the company's ability to meet its financial obligations. a) A.M. Best rating affirmed on August 2, 2018. For the latest rating, access www.ambest.com Standard & Poor's rating assigned February 26, 2009 and affirmed on September 10, 2018. Awarded to North American Company for Life and Health Insurance® as part of Sammons® Financial Group Inc., which consists of Midland National® Life Insurance Company. The primary purpose of life insurance is to provide a death benefit to beneficiaries. Because of the uncertainty surrounding all funding options except savings, it is critical to encourage your clients to make personal savings the cornerstone of your clients' college funding program. However, even a well-conceived savings plan can be vulnerable. Should your clients die prematurely, their savings plan could come to an abrupt end. For detailed information about these companies, their ratings, and to learn more about North American's financial strength, please visit the About Us section of www.NorthAmericanCompany.com. Fitch Ratings, a global leader in financial information services and credit ratings, on April 17, 2019, assigned an Insurer Financial Strength rating of A+ Stable for North American. This rating is the fifth highest of 19 possible rating categories. The rating reflects the organization's strong business profile, low financial leverage, very strong statutory capitalization and strong operating profitability supported by strong investment performance. For more information, read the Fitch Ratings report.

To protect against this unexpected event, life insurance may be the only vehicle that can help assure the completion of a funding plan. In addition to the financial protection aspect of insurance, the tax-deferred buildup of cash values can be part of your clients' college savings plan. Generally, if the policy is not a Modified Endowment Contract then tax-free withdrawals can be made up to the contract's cost basis. Moreover, if the policy is not a Modified Endowment Contract, then loans in excess of the cost basis are also tax free as long as the policy remains in force.

Products, features, riders, endorsement or issue ages may not be available in all jurisdictions. Restrictions or limitations may apply.

Indexed Universal Life products are not an investment in the "market" or in the applicable index and are subject to all policy fees and charges normally associated with most universal life insurance.

North American Company
for Life and Health Insurance
Since 1886

Life

College funding

Client profile

Name: ______________________ **Agent code:** ______________________

Email: ______________________ **MGA:** ______________________

The primary purpose of life insurance is to provide a death benefit to beneficiaries. Death benefit protection can make life insurance an attractive choice for establishing a self-completing plan to help fund a college education. Permanent life insurance that can accumulate cash value may be used to help pay for college costs.

Help your clients gain financial protection and help pay for college

If your clients…

- Need life insurance protection
- Have young families with children up to 13 years old
- Are concerned about college tuition costs
- Are possibly looking to help supplement income in retirement years

… College funding with permanent life insurance may be the answer.

List the names of five clients who fit the above profile and whom you would like to help meet their life insurance needs and financial goals.

Client name: ______________________ **Age:** ______ **Gender:** ______ **Tobacco:Y/N** ______ **State:** ____
Premium amount: ______________________ **Child age:** ______

Client name: ______________________ **Age:** ______ **Gender:** ______ **Tobacco:Y/N** ______ **State:** ____
Premium amount: ______________________ **Child age:** ______

Client name: ______________________ **Age:** ______ **Gender:** ______ **Tobacco:Y/N** ______ **State:** ____
Premium amount: ______________________ **Child age:** ______

Client name: ______________________ **Age:** ______ **Gender:** ______ **Tobacco:Y/N** ______ **State:** ____
Premium amount: ______________________ **Child age:** ______

Client name: ______________________ **Age:** ______ **Gender:** ______ **Tobacco:Y/N** ______ **State:** ____
Premium amount: ______________________ **Child age:** ______

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Financial objectives discussion guide

Confidential

Date: ______________________________

1. PERSONAL OVERVIEW

	Client 1	Client 2
Name		
Gender		
Date of birth		
Address		
Home phone		
Work phone		
Cell phone		
Email		
Preferred contact method and time		
Occupation		
Business owner?		

Please provide me with a general overview of your financial situation and experience including any disappointments and achievements.

____

____

____

List any recent events in your life related to you, your loved ones or your financial situation. Examples include: change in marital status, death of a family member, health concerns, change in employment, change in income, new investments, etc.

____

____

____

Tell me about your current retirement plan.

What would your retirement look like if we worked together? Think about where you'd live during the various stages of your retirement, how you'd spend your typical days, what activities or hobbies you'd be involved in, etc.

Who have you relied on for financial guidance?

	Insurance professional	Broker or Financial advisor	Accountant	Attorney
Name				
Firm name				
Phone				
How did you meet?				
How long have you been associated?				
When did you last meet?				
Rate satisfaction Level from 1 – 5 with 1 being poor and 5 being excellent				

Your financial concerns

I'd like to understand your current financial concerns and know about the relationships in your life that may be impacted by these concerns. First, let me know if any of the following items are of concern to you and, if so, how they rank in order of importance.

Concern	Level of importance – Check appropriate column				
	1 None	2 Minimal	3 Somewhat	4 Very	5 Urgent
A. Income protection for my family					
B. Funding children's education[1]					
C. Outliving your assets in retirement					
D. Leaving a legacy for heirs					
E. Providing for extended family and/or dependents with special needs					
F. Estate planning/wealth transfer					
G. Charitable giving					
H. Concern about market volatility					
I. Concern about yields on savings or other fixed vehicles					
J. Affording to retire					
K. Business continuation					
L. Executive benefits for employees					
M. Loss of key employee or partner					
N. Affording in home health care or nursing home care					
O. Other:					

Additional comments: ______________________________

____

Your relationships

Based on your concerns, list others who you are supporting or plan to support financially. When identifying your relationship with these individuals, be as specific as possible from a legal perspective (i.e. "daughter of previous spouse" vs. "step-daughter", "son-in-law's child from a previous marriage" vs. "grandchild", etc.).

Name	Relationship	Gender	Date of birth	Social security number*	Concern (use letter from previous chart)

*Will be required if a life insurance transaction results from this conversation.

Now that we've discussed your personal situation, I'm going to ask you for a lot of data. Before we move on though, is there anything else that you'd like to share?

2. CURRENT FINANCIAL SITUATION

Pre-retirement earnings and benefits	Client 1	Client 2
Annual salary		
Bonus		
Other income		
Annual value of employer paid benefits/ contributions		
Health insurance		
Life insurance		
Disability insurance		
Other:		

General assets

Description	Current value	Owner (Client 1, Client 2 or J – joint, T - trust)	Plan to use for retirement?	Plan to pass on to heirs?
Residence				
Other property				
Automobiles				
RV/other				
Savings account				
Certificate of deposit				
Bonds				
Mutual funds				
Stocks				
Business interest				
Other:				
General assets total				

Note: A separate chart for Retirement Assets follows.

Retirement assets

Description	Current value		Annual contributions			
	Client 1	Client 2	Client 1	Client 1's employer	Client 2	Client 2's employer
401(k)						
403(b)						
Pension plan						
Employee stock plan						
Traditional IRA						
Roth IRA						
Annuities						
Life insurance						
Other:						
Retirement assets totals						

Liabilities

Description	Amounted owed	Duration
Mortgage 1		
Mortgage 2		
Home equity loan		
Credit cards		
Student loans		
Line of credit		
Business loan		
Other:		
Liabilities		

Net worth

(Assets ____________ + Retirement assets ____________ = ____________) – Liabilities ___________ = Net worth ___________

Taxes

	Current	Expected at retirement
Federal tax bracket		
State tax bracket		

3. COLLEGE FUNDING NEEDS[1]

Current college funding sources

Saving vehicles	Current value
529 Plan	
Savings accounts	
Certificate of deposit	
Sources from family (grandparents, etc.)	
Future potential sources (scholarships, grants, loans, student aid, other?)	
Life Insurance	
Other:	

Expenses	Estimated cost
Tuition	
Housing	
Food	
Books	
Supplies (computer, pens, notebooks, other?)	
Fees (activity, parking, other?)	
Transportation	
Other:	

4. INSURANCE REVIEW

Do you currently have coverage under any of the following types of insurance policies? Indicate the number of policies if you have more than one of any type.

Type	Client 1	Client 2
Life insurance		
Disability insurance		
Long term care insurance		

How did you purchase this coverage? (i.e. from the same representative, multiple representatives, on-line, other)

How did you come to a decision on the amount of death benefit coverage you currently have.

What life changes have occurred since you bought these policies? (i.e. marriage, children, mortgage, other?)

When was the last time you reviewed your beneficiary designations?

Let’s review the insurance policies that you current have as well as any annuities that you referenced earlier.

NOTE: Use additional sheet(s) for multiple policies/contracts.

Life insurance coverage

Current coverage	Client 1 (insured)	Client 2 (insured)
Owner*		
Beneficiary(ies)*		
Issuing insurance company		
Policy issue date		
Product type		
Death benefit		
Annual premium		
Underwriting classification		
Riders (type and reason for having them):		
For permanent life insurance:		
Death benefit guarantee		
Cash accumulated value		
Cash surrender value		
Surrender charge period		
Guaranteed interest rate		
For term life insurance:		
Level term period		
Years remaining of initial level term period		
Years remaining for eligible conversion privilege		

*Be sure to list trusts if appropriate.

Disability insurance coverage

Current coverage	Client 1 (insured)	Client 2 (insured)
Issuing insurance company		
Annual premium		
Monthly benefit		
Inflation adjustment?		
Offset by social security?		

Long term care insurance coverage

Current coverage	Client 1	Client 2
Issuing insurance company		
Annual premium		
Daily benefit (in-home)		
Daily benefit (care facility)		
Maximum lifetime benefit		
Inflation adjustment?		

Annuity contracts

Current coverage	Client 1	Client 2
Issuing insurance company		
Current value		
Cost basis		
Growth rate		
Other:		

5. DISCUSSION SUMMARY

Is there anything that we haven’t discussed that you feel is important for me to know?

Next appointment

Date: ______________________________

Time: ______________________________

Place: ______________________________

The content of this material is not intended sell, discuss the risks, recommend, or provide any type of advice relative to securities. Nor is it intended to recommend the liquidation of specific securities, or identify specific securities that could be used to fund a life insurance product.

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1 The primary purpose of life insurance is to provide a death benefit to beneficiaries. Because of the uncertainty surrounding all funding options except savings, it is critical to make personal savings the cornerstone of your client's college funding program. However, even a well-conceived savings plan can be vulnerable. Should your client die prematurely, your client's savings plan could come to an abrupt end.

To protect against this unexpected event, life insurance may be the only vehicle that can help assure the completion of a funding plan. In addition to the financial protection aspect of insurance, the tax-deferred buildup of cash values can be part of your client's college savings plan. Generally, if the policy is not a Modified Endowment Contract then tax-free withdrawals can be made up to the contract's cost basis. Moreover, if the policy is not a Modified Endowment Contract, then loans in excess of the cost basis are also tax free as long as the policy remains in force.

Life

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Next appointment

Date: ______________________________

Time: ______________________________

Place: ______________________________

NOTES

PROPERTY RECEIPT

This receipt should be left with the client should the financial representative obtain copies of the client's insurance policies.

The following policies have been provided by the client(s) to the financial representative for review. Those policies will be returned to the clients by _______________(date).

Issuing company	Policy number	Insured	Policy owner

Client #1 printed name | Client #1 signature | Date

Client #2 printed name | Client #2 signature | Date

Financial representative printed name | Financial representative signature | Date

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Life

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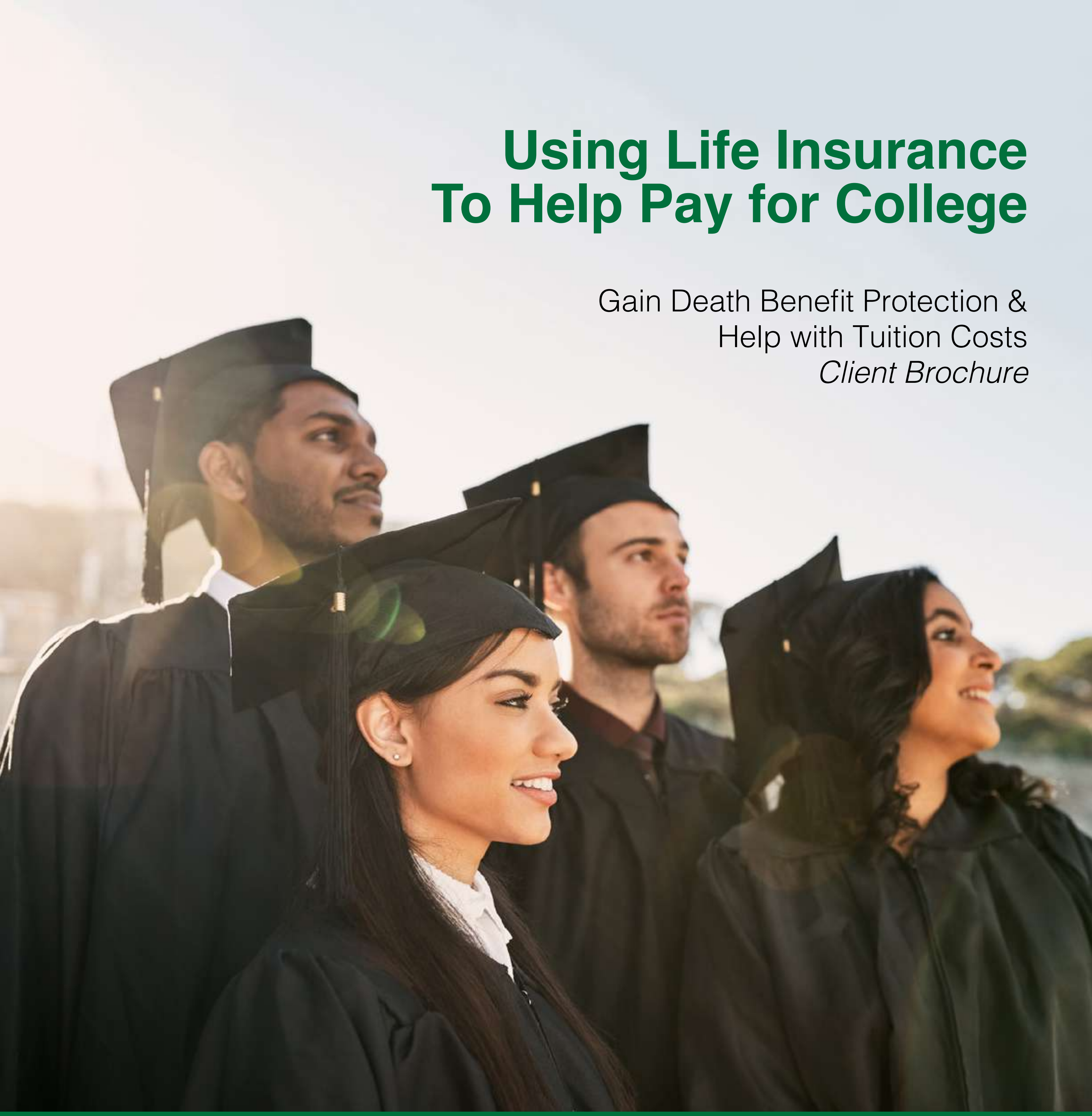
Using Life Insurance To Help Pay for College

Gain Death Benefit Protection & Help with Tuition Costs
Client Brochure



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Since 1886

Life

Achieve financial protection and help pay for the increasing costs of college tuition.

The primary purpose of life insurance is to provide a death benefit to beneficiaries. This death benefit protection can make life insurance an attractive choice to help fund a college education.

While many people are aware that the cost of a college education has been on the rise, many underestimate just how large this cost has grown. According to the 2016 Trends in College Pricing published by The College Board, over the past decade, the published in-state tuition and fees for four-year public colleges and universities grew at an average rate of 3.5% per year beyond the rate of inflation.* At the same time, many families lack life insurance protection, which many consider to be the cornerstone of financial protection. Recent studies show that four in ten U.S. households have no life insurance coverage at all,** which leaves them vulnerable should the primary breadwinner die unexpectedly. What many people may not realize is that with the right life insurance policy, you can secure needed death benefit protection while gaining a way to help pay for college education.

* Trends in College Pricing. © 2016 The College Board. www.collegeboard.com.

** Life Insurance and Market Research Association (LIMRA) 2016 Insurance Barometer Study.

KEY QUESTIONS	ITEMS DISCUSSED
Why life insurance?	Learn how life insurance can meet death benefit protection needs and help pay for college education.
Who can benefit?	Explore whether using life insurance to help fund college tuition costs is right for you.
How does it work?	Discover the steps to financially protect what's important while fulfilling the desire to help pay for college.

WHY LIFE INSURANCE?

Your personal savings should be the primary source for college funding.[1] However, that comes with a challenge: if the family's primary breadwinner dies prematurely, the personal savings plan typically comes to an abrupt end. In this situation, a life insurance policy can help. The policy's death benefit could be used to help pay college tuition costs.

A key benefit of permanent life insurance, is that it has the potential to accumulate cash value on a tax-deferred basis.[2] Those funds can then be accessed while you are living to help pay for college costs.

Some of the advantages of a permanent life insurance policy include:

- **Parental stewardship.** The policyowner has control of the policy's potential accumulated cash value. Should plans change, the accumulated cash value can be used for other purposes without tax consequences.[3]
- **Tax-deferred growth.** Cash values within a life insurance policy generally grow tax-deferred.[2]
- **Policy loan options.** Different loan options are available to help you access the potential cash values within your policy.[4]

WHO CAN BENEFIT?

There are a few items to consider before using life insurance for death benefit protection and a way to help pay for tuition costs:

- Are you in need of death benefit protection to help ensure your family is financially protected?
- Do you have a child or children up to 13 years old?
- Are you concerned about college tuition costs?

Life Insurance Considerations

It's important to explore your options and to work with your life insurance representative to gain a clear picture of your needs. There are costs with life insurance. Permanent life insurance policies require monthly deductions to pay the policy's charges and expenses, some of which will increase as you get older. These deductions may reduce the cash value of the policy. Additional premiums may be necessary to continue the desired death benefit, depending on funding. Withdrawals may be subject to surrender charges and the amount available for policy loans.

HOW DOES IT WORK?

After a thorough needs-based discussion with your life insurance representative, you select a life insurance policy that matches your needs. The basic steps typically include:

- Purchase a permanent life insurance policy. The policy provides death benefit protection and a way to help accumulate cash value on a tax-deferred basis.[2]
- If the unexpected happens and you die prematurely, the life insurance death benefit would be paid generally income tax-free[3] to beneficiaries.
- Alternatively, when it comes time for you to pay tuition costs, you may access the policy's potential cash values through generally tax-free loans or withdrawals.[4]
- After helping pay tuition costs, you may reposition the policy for other possible needs.

North American Company
for Life and Health Insurance
Since 1886

Get started today. Contact your North American representative and financially protect what's important now, while helping to fund a college education.

North American Company for Life and Health Insurance has been providing quality life insurance products since 1886. As one of the leading life insurance companies in the U.S., we'll make it as easy as possible for you to become one of our insureds. Please visit our Website at www.NorthAmericanCompany.com to find out more about our company.

1. The primary purpose of life insurance is to provide a death benefit to beneficiaries. Because of the uncertainty surrounding all funding options except savings, it is critical to make personal savings the cornerstone of your college funding program. However, even a well-conceived savings plan can be vulnerable. Should you die prematurely, your savings plan could come to an abrupt end.

To protect against this unexpected event, life insurance may be the only vehicle that can help assure the completion of a funding plan. In addition to the financial protection aspect of insurance, the tax-deferred buildup of cash values can be part of your college savings plan. Generally, if the policy is not a Modified Endowment Contract then tax-free withdrawals can be made up to the contract's cost basis. Moreover, if the policy is not a Modified Endowment Contract, then loans in excess of the cost basis are also tax free as long as the policy remains in force.

2. The tax-deferred feature of universal life or indexed universal life insurance is not necessary for a tax-qualified plan. In such instances, you should consider whether other features, such as the death benefit and optional riders make the policy appropriate for your needs. Before purchasing a policy, you should obtain competent tax advice both as to the tax treatment of the policy and the suitability of the product.

3. Neither North American Company nor its agents give legal or tax advice. Please consult with and rely on a qualified legal or tax advisor before entering into or paying additional premiums with respect to such arrangements.

4. Policy loans from life insurance policies generally are not subject to income tax, provided the contract is not a Modified Endowment Contract (MEC), as defined by Section 7702A of the Internal Revenue Code. A policy loan or withdrawal from a life insurance policy that is a MEC is taxable upon receipt to the extent cash value of the contract exceeds premium paid. Distributions from MECs are subject to federal income tax to the extent of the gain in the policy and taxable distributions are subject to a 10% additional tax prior to age 59½, with certain exceptions. Policy loans and withdrawals will reduce cash value and death benefit. Policy loans are subject to interest charges. Consult with and rely on your tax advisor or attorney on your specific situation. Income and growth on accumulated cash values is generally taxable only upon withdrawal. Adverse tax consequences may result if withdrawals exceed premiums paid into the policy. Withdrawals or surrenders made during a Surrender Charge period will be subject to surrender charges and may reduce the ultimate death benefit and cash value. Surrender charges vary by product, issue age, sex, underwriting class, and policy year. Income and growth on accumulated cash values is generally taxable only upon withdrawal. Adverse tax consequences may result if withdrawals exceed premiums paid into the policy. Withdrawals or surrenders made during a Surrender Charge period will be subject to surrender charges and may reduce the ultimate death benefit and cash value. Surrender charges vary by product, issue age, sex, underwriting class, and policy year.

Life insurance policies have terms under which the policy may be continued in force or discontinued. Permanent life insurance requires monthly deductions to pay the policy's charges and expenses, some of which will increase as the insured gets older. These deductions may reduce the cash value of the policy. Current cost of insurance rates and current interest rates are not guaranteed. Therefore, the planned periodic premium may not be sufficient to carry the contract to maturity. For costs and complete details, refer to the policy or call 877-872-0757 or write North American Company for Life and Health Insurance, One Sammons Plaza, Sioux Falls, SD, 57193.

We're Here For Life®

www.NorthAmericanCompany.com

College funding with permanent life insurance

Help your clients reach their goals

QUICK LOOK

The primary purpose of life insurance is to provide a death benefit to beneficiaries. It can also be designed to meet your clients' changing needs with features such as a flexible death benefit and flexible premiums. Death benefit protection can make life insurance an attractive choice for establishing a self-completing plan to help fund a college education. The college funding strategy using life insurance typically includes three parts.

1. Should a premature death occur, the life insurance death benefit could be used to complete the insured's college savings goal and help pay for college.
2. The second part of the plan is tax-deferred[1] and potentially tax-free income through policy loans to supplement your clients' other saving sources for college.[2]
3. After helping to pay college tuition, your clients can reposition the policy and use it to help supplement retirement income while continuing to protect the family with the death benefit.

THE SITUATION

Your clients are proud parents of a six-month-old girl. The couple is eager to start planning for the future and want to put together a strategy to help them meet their future financial needs.

With the added responsibility, they realize that should something happen to the family's primary source of income, it would be a challenge for the other parent to keep up with expenses. With a mortgage, car loans, outstanding student debt, and all of the other household expenses, the couple currently feels financially vulnerable.

Both parents are big supporters of a good college education. The couple has decided that they would like to help their daughter through college when the time comes. The couple is well aware of high tuition costs, having student debt themselves. They worry that the costs of a college education will only continue to rise.

A SOLUTION

Your clients meet with you, a life insurance agent, to discuss their need for death benefit protection. Their first priority is life insurance protection. You ask several questions and take a thorough look at the family's finances. You present an option that offers financial protection plus a way to help fund their daughter's education with permanent life insurance.

Is there a way to help your clients financially protect their family now while helping to fund college for their daughter when the time comes?

A SOLUTION

Life insurance was an unexpected source of college funding for the couple, and they were happy to know they could both financially protect their family now and help provide for their daughter's future later.

Here were the key points covered by their agent:

- **Immediate death benefit protection.** The money from the policy can help pay expenses and also help with college tuition costs should the family's primary breadwinner die prematurely.
- **Parental stewardship.** The policyowner has control of the policy's potential accumulated cash value. Should the daughter's plans change, the accumulated cash value can be used for purposes other than college funding without tax consequences.[3] This same flexibility may not be available with other planning vehicles.
- **Tax-deferred growth.** With life insurance, cash values can grow on a tax-deferred basis.[1]
- **Tax-efficient access to potential cash values.** The couple may access funds in their life insurance policy to pay for college expenses generally tax-free through loans or withdrawals as long as the policy is not a modified endowment contract (MEC).[2,4,5]
- **Diversification.** Life insurance offers a way to help the couple allocate funds outside of other options, providing a way to spread any potential risk. Additionally, permanent life insurance offers protection from downside risk by guaranteeing a minimum credited interest rate.

CONSIDERATIONS

- **Avoid Modified Endowment Contract status (MEC).[5]** Weigh the MEC status with other benefits and considerations in the policy. In some circumstances, a policy that is considered a MEC may be subject to tax when a client accesses the cash values with loans or withdrawals.[2]
- **Non-guaranteed performance.** Cash values for loans and withdrawals in later years may be more or less than originally illustrated. We encourage you to look at a variety of scenarios to see how the life insurance policy performs under different assumptions.
- **Insurance charges.** Permanent life insurance policies require monthly deductions to pay the policy's charges and expenses, some of which will increase as the insured gets older. These deductions may reduce the cash value of the policy.
- **Loss of premium.** Depending on funding, life insurance may not guarantee avoiding loss of premium.
- **Surrender charges.** Withdrawals may be subject to surrender charges and the amount available for policy loans.

Share this concept with your clients today!

1 The tax-deferred feature of universal life or indexed universal life insurance is not necessary for a tax-qualified plan. In such instances, your client should consider whether other features, such as the death benefit and optional riders make the policy appropriate for the client's needs. Before purchasing a policy, your client should obtain competent tax advice both as to the tax treatment of the policy and the suitability of the product.

2 In some situations, loans and withdrawals may be subject to federal taxes. Clients should be instructed to consult with and rely on their own tax advisor or attorney for advice on their specific situation.

3 Neither North American Company for Life and Health Insurance nor its agents give tax advice. Please advise your customers to consult with and rely on a qualified legal or tax advisor before entering into or paying additional premiums with respect to such arrangements.

4 Income and growth on accumulated cash values is generally taxable only upon withdrawal. Adverse tax consequences may result if withdrawals exceed premiums paid into the policy. Withdrawals or surrenders made during a Surrender Charge period will be subject to surrender charges and may reduce the ultimate death benefit and cash value. Surrender charges vary by product, issue age, sex, underwriting class, and policy year.

5 For most policies, withdrawals are free from federal income tax to the extent of the investment in the contract, and policy loans are also tax-free so long as the policy does not terminate before the death of the insured. However, if the policy is a Modified Endowment Contract (MEC), a withdrawal or policy loan may be taxable upon receipt. Further, unpaid loan interest on a MEC may be taxable. A MEC is a contract received in exchange for a MEC or for which premiums paid during a seven-year testing period exceed prescribed premium limits (7-pay premiums).

The primary purpose of life insurance is to provide a death benefit to beneficiaries. Because of the uncertainty surrounding all funding options except savings, it is critical to encourage your clients to make personal savings the cornerstone of your clients' college funding program. However, even a well-conceived savings plan can be vulnerable. Should your clients die prematurely, their savings plan could come to an abrupt end.

To protect against this unexpected event, life insurance may be the only vehicle that can help assure the completion of a funding plan. In addition to the financial protection aspect of insurance, the tax-deferred buildup of cash values can be part of your clients' college savings plan. Generally, if the policy is not a Modified Endowment Contract then tax-free withdrawals can be made up to the contract's cost basis. Moreover, if the policy is not a Modified Endowment Contract, then loans in excess of the cost basis are also tax free as long as the policy remains in force. Indexed Universal Life products are not an investment in the "market" or in the applicable index and are subject to all policy fees and charges normally associated with most universal life insurance.

North American Company
for Life and Health Insurance
Since 1886

We're Here For Life®

northamericancompany.com

How Will I Pay for My Child's Education?

Assurity Whole Life Insurance

As the cost of college continues to rise, so does debt for millions of Americans. Among graduates from a four-year academic institution in 2018, seven in 10 took out student loans, leaving them with an average debt of $29,800.[1]

Assurity's Whole Life Insurance is more than a way to protect your family's financial security after you die. It can serve as an important savings tool to fund your child's education.

How does it work?

Over time, a whole life insurance policy builds cash value, similar to how equity can build in a home. It also earns dividends, which offer additional growth potential.

When your child begins college, you can access the cash value of your policy, generally through tax-free loans or dividend withdrawals,[2] for their tuition and other expenses. As with any savings plan, the sooner you start, the better.

- After your child graduates, your policy continues.
- If plans change and your child doesn't attend college, the whole life policy is still available for future needs – it isn't locked into an education savings program.
- If you die, your death benefit can help provide funds for your child's education.

Talk to your insurance professional today about how an Assurity Whole Life Insurance policy can help fund your child's education — and their future.

Assurity®

Helping people through difficult times

As a mutual organization, Assurity was founded on the simple concept of people coming together to support each other in moments of need. We continue our mission of helping people through difficult times by providing affordable insurance protection that is easy to understand and buy. Our financial stability has stood the test of time. It shows our commitment to be there when our customers need us. Owned by our policyholders, we conduct our business to serve only their best interests. Whether paying benefits, offering service with a human touch, giving back to our community, or practicing sustainable habits that provide for our planet, we embrace our capacity to improve lives. We all share in the future we create, and Assurity believes in using our business as a force for good.

Certified B Corporation

Customer Service

800-869-0355
Ext. 4264

Find out more

assurity.com

1. LendingTree, "A Look at the Shocking Student Loan Debt Statistics for 2019," Feb. 4, 2019.
2. Distributions under the policy (including cash dividends and partial/full surrenders) are not subject to taxation up to the amount paid into the policy (cost basis). If the policy is a modified endowment contract (MEC), policy loans and/or distributions are taxable to the extent of gain and may be subject to a 10 percent tax penalty. Access to cash values through borrowing or partial surrenders will reduce the policy's cash value, death benefit and future dividends; increase the chance that the policy will lapse; and may result in tax liability if the policy terminates before the death of the insured. There may be little or no cash value available for loans in the policy's early years.

CLICK HERE TO USE THIS INTERACTIVE TOOL FROM NATIONWIDE

College Funding Calculator

*Required field

General inputs

Years until college:*	0
Current college savings:	$ 0
Annual college cost:*	$ 0 Lookup
Number of years enrolled:*	0
Amount provided by other sources:	0%
Rate of return:	2.0%
Current tax rate:	15%
College inflation rate:	6.0%

CLICK HERE TO USE THIS INTERACTIVE TOOL FROM NATIONWIDE

How to Use Your Life Insurance Policy to Pay for College

If you have whole life insurance, universal life insurance, or another type of permanent life insurance policy, it could help with college costs.

Your life insurance policy benefits aren't always limited to being used after you pass on. If you have a permanent life insurance policy, you may be able to tap into your benefits now for numerous reasons, including college tuition.

For many families, college is a common and significant cost. The College Board reports[1] in the 2018-2019 school year, the average college cost for in-state bachelor's degree students at a public four-year college is $10,320. For out-of-state students or students who choose to attend private universities, the costs rise from there.

When you want to ensure a loved one has access to education so their future looks bright, you might want to consider using your life insurance to help pay for college costs. Here's what you should know:

Which Type to Use: Term or Permanent Life Insurance?

More than half of American adults are unaware or don't believe that they are able to tap the cash value of an insurance policy to fund college, MarketWatch reports.[2] However, those who are permanent life insurance policyholders may indeed have the option to use life insurance to help pay for college.

It's important to be aware that this option is not available to term life insurance policyholders. Term life insurance covers the policyholder for a set amount of time and does not accrue cash value.

What Is a Permanent Life Insurance Policy?

A permanent life insurance policy is designed to stay in place for your entire life, whereas term life insurance provides short-term coverage for a specified number of years. As you pay premiums toward permanent life insurance, you also grow a tax-deferred cash value, which can come in handy if it needs to be used while you're still alive. You may be able to take out a loan against the cash value balance and would then pay back the loan with interest.

There are a few types of permanent life insurance:

- Whole Life Insurance covers you for as long as you live, granted you pay premiums on time. It can build up cash value, which you can borrow against for costs you have now, like college.
- Universal Life Insurance is a type of whole life insurance from AIG Direct that provides policyholders with the flexibility to increase or decrease the coverage amount. It also builds up cash value that the policyholder can borrow against.

If you want to have the option to access cash value from your life insurance policy while you're still alive, consider getting one of these types of life insurance policies. You might even be able to use yours to help pay for a loved one's college costs. Learn more about the differences between term life insurance and whole life insurance.

How Do You Use Permanent Life Insurance to Help Pay for College?

If your permanent life insurance policy has enough cash value for your needs, you can borrow against this accrued value through a policy loan. Policy loans, in most cases, are income tax-free.

When they're used to help pay for college, these loans do not count against a student's eligibility for financial aid[3] or other assistance. A permanent life insurance's cash value can help supplement other financial aid funds a student has or help pay the bulk costs of college.

Be aware that if you pass on before the loan is repaid, the death benefits meant to be paid to your beneficiaries will be decreased. Since college can help to make your dependents' future more prosperous through better job potential, you may be fine with this situation. When you use a cash value loan to help pay for your child or children's future through something like college, the benefits in the here-and-now may make sense.

You may be comparing life insurance for college versus a college savings plan, like a 529 plan. Money in a 529 plan is factored into financial aid calculations. It's always important to weigh current needs with future needs, but having the option to access cash value if needed for costs like college can be comforting and useful.

Peace of Mind for the Future

Life is constantly changing and that includes your financial needs. Life insurance helps you provide for your family in the future, and it can also be used for the here-and-now. A life insurance policy that offers flexibility through built-up cash value may be the right choice for you and your family.

If you want life insurance that includes the option to borrow against the cash value, look into permanent life insurance. Products like universal life insurance enable you to save for whatever your needs are. When your goal is to give your family a secure future, paying for college with the help of life insurance may be an ideal solution.

1. https://trends.collegeboard.org/college-pricing/figures-tables/average-published-undergraduate-charges-sector-2018-19
2. https://www.marketwatch.com/story/how-to-use-life-insurance-to-pay-for-college-2018-09-24
3. http://www.finaid.org/savings/lifeinsurance.phtml

Next Avenue

How to use life insurance to pay for college

Published: Sept. 24, 2018 at 9:24 a.m. ET

By Paul Kelash

The cash value doesn't factor into college financial aid calculations

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Now that the fall semester at college has begun, many parents have the high cost of higher education tuition on their minds. Rising college bills, plus the cost of dorms, travel and books really adds up. If you have a child in high school or college, you may want to know about an unconventional and o en underused way to help pay the tuition: your permanent life (whole life or universal life) insurance policy.

While many people understand that a life insurance policy pays a death benefit to beneficiaries, in the 2018 Life Insurance Needs Survey by Allianz Life Insurance Company of North America, more 51% of Americans surveyed were unsure or didn't believe that cash value from permanent life insurance can be used to help fund college education. And 66% were unsure or didn't believe benefits paid from life insurance are generally income tax free.

How cash value can help pay for college

While the primary reason my wife and I bought permanent life insurance policies was to protect our daughters in the event she or I died early, we also knew they could provide the opportunity to accumulate cash value inside the policies. We could then potentially borrow against the cash value through policy loans to supplement our college funding strategy should we need it —assuming the policy had accumulated sufficient cash value to support loans.

(A word to the wise: Policy loans and withdrawals will reduce the available cash value and death benefit and may cause the policy to lapse or affect guarantees against lapse. Additional premium payments may be required to keep the policy in force. And withdrawals in excess of premiums paid will be subject to ordinary income tax.)

A percentage of each dollar my wife and I paid into our permanent life policies goes to the cost of insurance and expenses that help pay the death benefit, with the rest going toward a cash value portion that has grown tax-deferred over the years. (Of course, this is experience — there is no guarantee that a policy will earn sufficient interest to support a loan strategy.)

A portion of the money paid into the policies can help fund college expenses by taking out a loan against the cash value balance and using the money income tax free, which must be paid pack with interest.

A few caveats

One thing to keep in mind is that the loan — plus any interest paid — cannot exceed the total cash value of the account. If this happens, you'll need to add in more money to the policy or it could lapse, and you'll end up paying taxes on the difference. If you're going to use policy loans, be sure to carefully manage your policy values to help prevent a lapse and adverse tax consequences.

Additionally, if you die before repaying the loan, the death benefit is reduced, which can have a negative financial impact on your family during a difficult time. That prospect is less of a concern for my wife and me because our daughters are close to being fully launched, so a reduced death benefit feels OK to us.

Another benefit of using a permanent life insurance policy to help pay for college: the cash value doesn't currently factor into college financial aid calculations. That means your child will be able to get the most out of his or her aid while you still have the life insurance policy as an potential additional resource, if needed.

Consulting with a financial professional and your tax adviser can help you determine if a permanent life policy may be suitable for your needs and circumstances.

After recently dropping our freshman daughter off at college, my wife and I are glad we have a plan to pay tuition for all four years, with our life insurance policies available — should we need them — to help.

Paul Kelash is vice president of consumer insights at Allianz Life Insurance Company of North America, where he is responsible for research related to consumer trends and financial planning concepts. He also oversees communications and community relations for the company.

Average Cost of College & Tuition

General Statistics:

Average Cost: Yearly & Total

During 2019-2020 academic year the average ***yearly*** price of tuition, fees, room, and board was $30,500 but can vary widely:

- $12,720 for public 2-year institution (*in-state rate*)
  - *$3,730 tuition & fees*
  - *$8,990 room and board*
- $21,950 for public 4-year institution (*in-state rate*)
  - *$10,440 tuition and fees*
  - *$11,510 room and board*
- $38,330 for public 4-year institution (out of state)
  - *$26,820 tuition and fees*
  - *$11,510 room and board*
- $49,879 for private nonprofit 4-year institution
  - *$36,880 tuition and fees*
  - *$12,990 room and board*

The average ***total*** price for a 4-year degree is approximately $122,000.

- $50,880 for a public 2-year institution (in-state rate)
- $87,800 for a public 4-year institution (in-state rate)

- $153,320 for a public 4-year institution (out of state)
- $199.500 for a private nonprofit 4-year institution

However, these averages assume the student finishes within 4 years. Only 39% of students actually do so. In fact, nearly 60% of undergraduate students take 6 years to complete a 4-year degree.

Additionally, most students receive financial aid of some sort that offsets the total"sticker" price of tuition.

Average Cost: General Statistics

***Note**: The main focus of this article is on undergraduate degrees and institutions, not grad schools or programs.*

- Most colleges and universities use a dollar amount referred to as the *Cost of Attendance or COA*. This typically includes:
  - *tuition and fees*
  - *room and board*
  - *books and supplies*
- *Net price* is what a student pays after financial aid, scholarships and any other assistance are applied to the account
- Approximately $30,000 is spent per student per year in college (including contributions of both governments and individuals)
- In 2019, the state with the highest average cost for tuition and fees was Vermont, and the lowest was North Dakota
- Student loans are not dischargeable in bankruptcies
- In the fall 2016 semester, more than one-third of enrolled college students had a direct federal loan.
- During the 2015-2016 academic year, out-of-state students spent an average of $14,483 more each year (includes tuition, room, and board) than in-state students

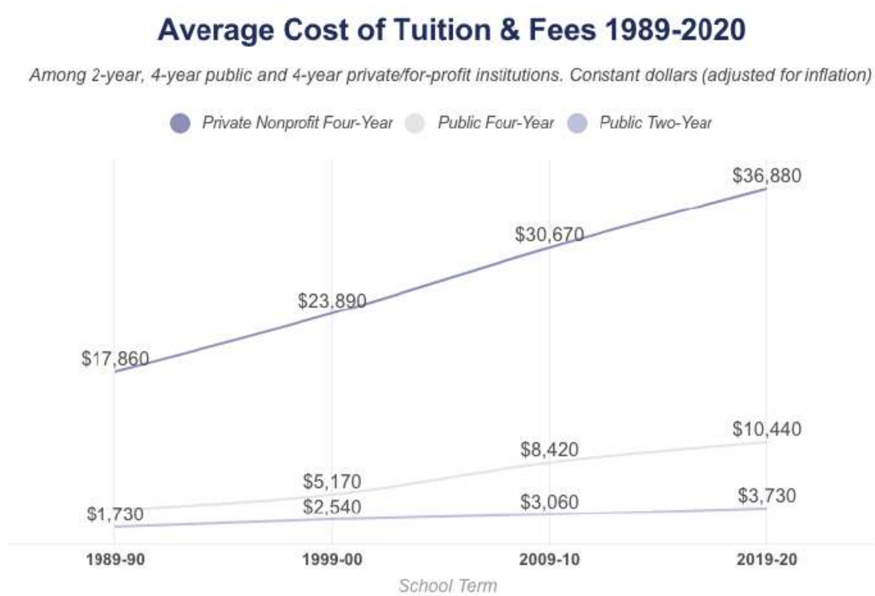
Average Cost of College by Over Time

Every year, college tuition and fees continue to increase. To illustrate, here are some statistics on tuition increases between 2010 and 2020:

- The average increase at 2-year colleges was nearly $700.00
- For 4-year institutions, the average increase was $2,000 at public 4-year institutions and $6,200 at private 4-year institutions

When looking at the increases over a longer period of time, from 1989 to 2016, the cost to attend college has increased almost 8 times faster than wages have.

- In 1989, the cost of a 4-year degree (adjusted for inflation) averaged $52,892
- In 2016, the cost of the same degree was nearly $104,480 (adjusted for inflation)



Average Cost of College: 2-Year Institutions

Most 2-year or community colleges are less expensive than 4-year institutions. For students looking for 2-year degrees, certificates, or vocational training, a 2-year institution may meet their needs. They are also an excellent option for students who choose to take their general education coursework and transfer to a 4-year institution.

Many 4-year institutions participate in a 2+2 program with 2-year institutions to make transferring a seamless process.

In 2020, the average tuition rate at 2-year institutions was $3,660

Between 2009 and 2019, the average cost of tuition and fees at 2-year institutions had increased by nearly 34% (adjusted for inflation)

Average combined financial aid and tax benefits increased by nearly 50% between 2009 and 2019

Full-time students enrolled at 2-year institutions may not pay room and board at the college but must still pay for their rent and other living expenses, with an average cost of $12,320 per year

In 2019, approximately 8.7 million students in the US enrolled at 2-year institutions

Average Estimated Full-Time Undergraduate Budget- 2-Year Commuter

Sector	Tuition and Fees	Room and Board	Books and Supplies	Transportation	Other Expenses	Total
Public 2-Year In-District Commuter	$3,660	$8,660	$1,440	$1,800	$2,370	$17,930

As many as 50% of students at 2-year institutions received enough financial aid and grant money to cover tuition and fees

Full-time students enrolled at 2-year institutions receive an average of $4,050 in financial aid and grant money

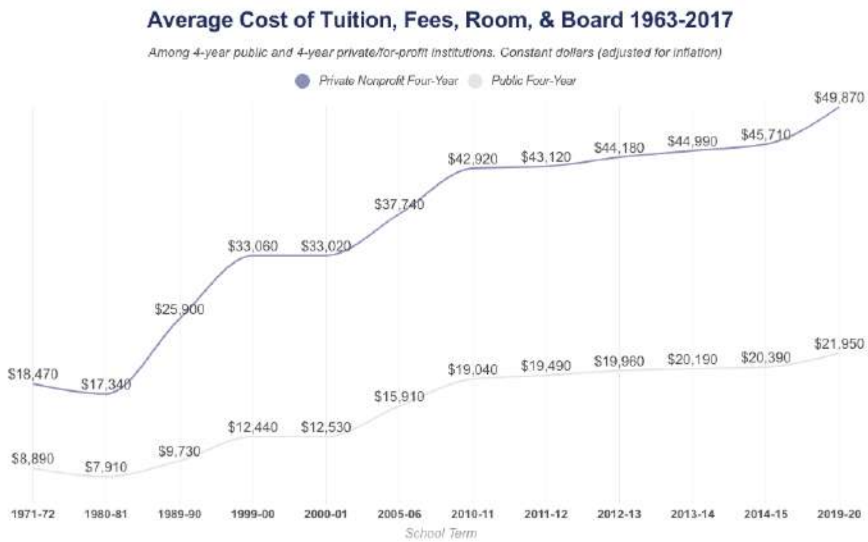
The average rate of community college tuition is lower than the rate for public and private 4-year institutions in every state

Some states now offer tuition-free "College Promise" programs at 2-year institutions that will cover tuition costs after federal grants and financial aid have been applied.

Students must meet eligibility requirements, which may include a minimum GPA, demonstrated financial need, or have established/maintain residency

As of 2018, 24 states have a Promise program for study at 2-year institutions

Average Cost of College: 4-Year Institutions



When calculating the COA (Cost of Attendance), an institution's financial aid office calculates how much it will cost for a student to attend. The cost for room and board generally does not vary as much as actual tuition cost from school to school. However, some schools are much more expensive, such as New York School of Interior Design, which charges upwards of $21,00 for room and board.

Private College Tuition vs Public College Tuition

Private schools don't receive as much government funding as public schools do, whether it's from the state or federal government, or both, including tax dollars. For the most part, private colleges and universities are more expensive than public institutions.

For the 2018-2019 academic year, students paid an average of $35,830 in private school tuition versus an average of $10,230 for students attending public colleges

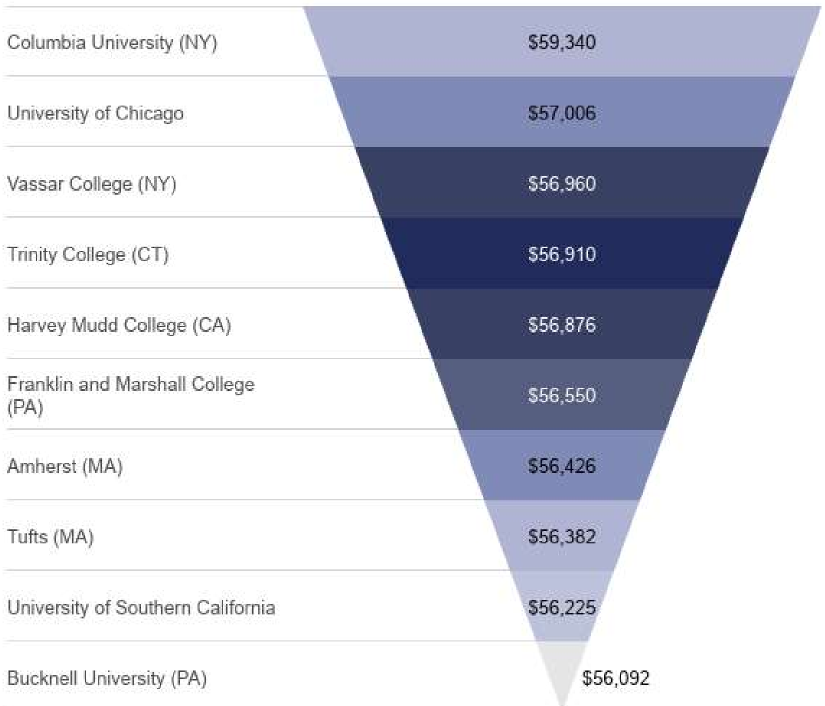
Private school students, on average, paid over three times more for tuition than their public college counterparts

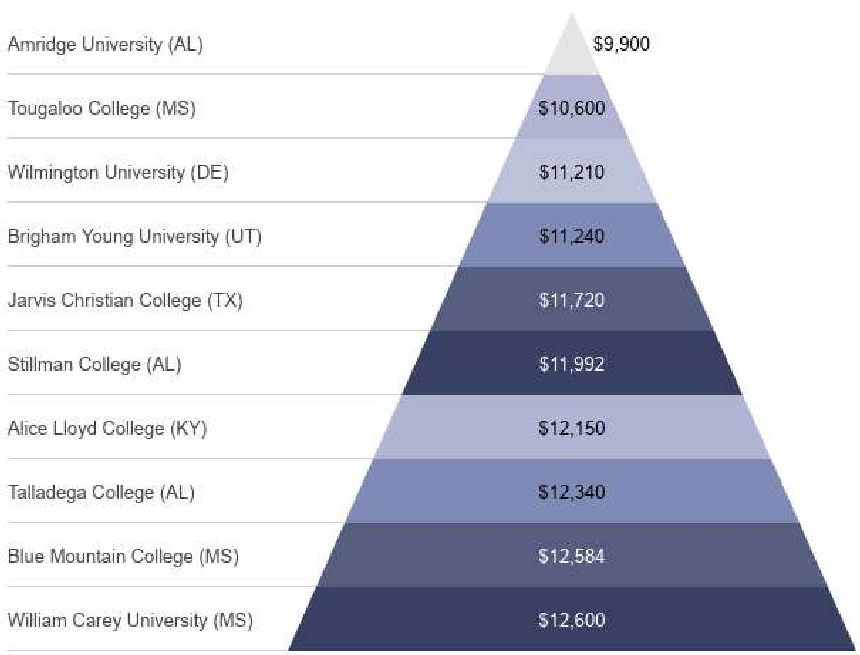
During the 1988-1989 academic year, private students paid an average of $17,010 in tuition costs compared to $3,360 paid, on average, by public students

Private college students paid 80 percent or nearly $17,000 more to attend a private school than their peers who attended public colleges

The gap remains at 71 percent for the 2018-2019 academic year—meaning that private school students still tend to pay around 71 percent more on average

Tuition rates can vary widely among private schools, depending on size, location, subjects covered, and type of institution. To illustrate, a few schools are included in the private college tuition comparison below to illustrate the variation in tuition charged at private schools.





In-State versus Out of State Tuition

There is a significant difference between in-state tuition and out-of-state tuition at a public college or university. For students who are not residents of the state where they are attending school, the tuition and fees are frequently much higher.

> During the 2015-2016 school year, in-state tuition (including room and board) averaged around $19,548 per year vs out-of-state tuition averaging around $34,031 per year.

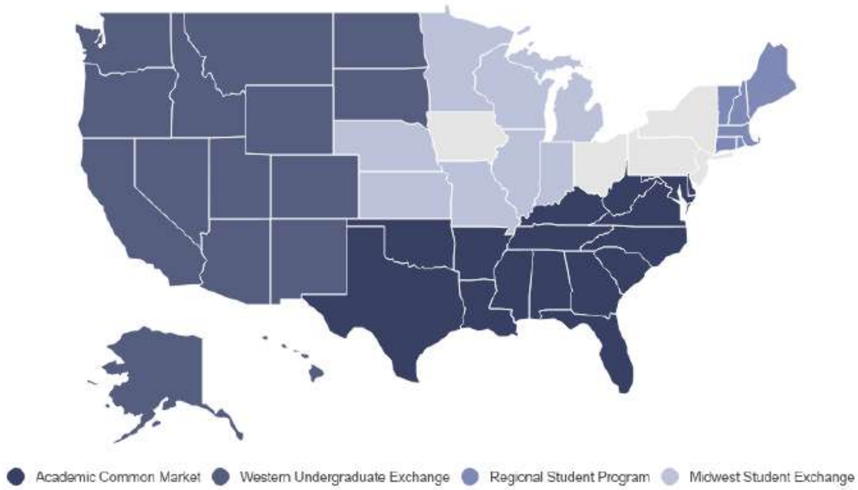
Within the US, there are regional and state reciprocity agreements with various requirements and stipulations for discounted or in-state tuition rates within the regions. Below are some examples:

The Southern Regional Education Board's ***Academic Common Market*** allows residents of 15 member states in-state tuition at any of the participating colleges in any of the other member states—provided the out-of-state school offers a degree program the student could not get in their home state.

In New England, the ***Regional Student Program*** includes Vermont, Connecticut, Maine, Rhode Island, Massachusetts, and New Hampshire. Like the Academic Common Market, the school must offer a degree program not available in the student's home state.

Other states offer a reduction of the out-of-state tuition for bordering or regional states, although students are still paying a higher rate than in-state tuition. Those include the ***Midwest Student Exchange Program*** and the ***Western Undergraduate Exchange Program***. These programs don't typically require students to pursue a degree that's not offered in their home state.

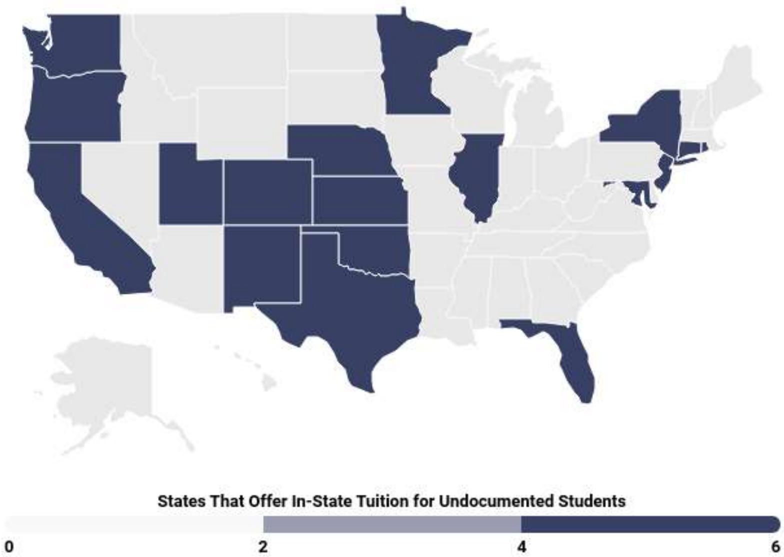
Note*: North Dakota participates in both the Midwest Student Exchange AND the Western Undergraduate Exchange.*



Other Qualifications for In-State Tuition:

There are other qualifications for in-state tuition:

- Active-duty servicemembers and members of their family may qualify to receive in-state tuition, regardless of whether they are permanent residents of the state they are currently stationed in
- Eighteen states offer in-state tuition for undocumented students, along with other scholarships and financial aid options, however:
  - Three states (Arizona, Georgia, and Indiana) have laws that prohibit colleges in their state from offering in-state tuition to undocumented students
  - Two states don't allow undocumented students to enroll in college at all—Alabama and South Carolina



Room and Board: On-Campus vs. Off-Campus

In areas where rents are sky-high and housing is scarce, living on-campus represents a much more affordable option. To illustrate:

- A Stanford University student would pay over $16,500 for a shared apartment to live off-campus compared to $8,301 living on-campus
- For Columbia University students a shared apartment off-campus could cost $17,000 for 9 months compared to $9,400 to live on-campus

Nearly 60% of colleges do not accurately represent off-campus living costs. Accordingly, students should research local rental markets.

As an example, the University of California-Berkeley estimated a student would pay $7,184 to live off-campus. In fact, it would cost a student $12,375 with a roommate in a two-bedroom apartment.

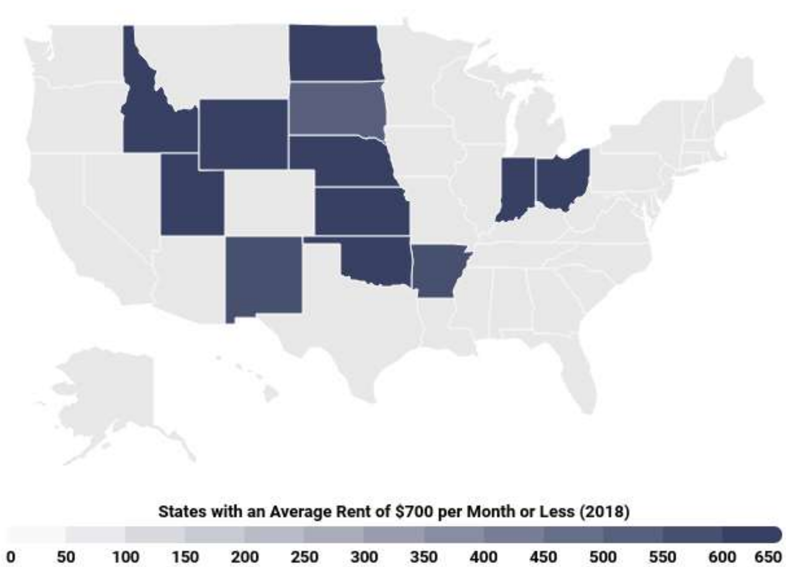
- 87% of students live off-campus
- Room and board charges have doubled at four-year colleges even after adjusting for inflation

- In 1980, the average cost for room and board was $4,800 compared to $9,798 in 2014 (adjusted for inflation)
- Between 2003 and 2014, increases for room charges at 4-year colleges outpaced the growth of rent prices
  - *In 2003 the average college room charge was 29% under median rent*
  - *In 2014, the average college room charge was only 7% under median rent*

The Advantages of Renting Off-Campus

It may be cheaper in some regions to live off-campus. However, this only applies to areas where rent is affordable for students. The average annual room and board costs for the 2018-2019 academic year were $11,140. For students attending college in areas where average rent exceeds $1,000 a month that could represent significant savings. Additionally, costs can be cut by 50 percent or more if a student has one or more roommates to split rent with, while room and board on campus is a flat rate regardless of how many roommates share a dorm room.

In 2018, there were 12 states whose 2018 rents averaged below $700/month, for an annual rent cost of $8,400.

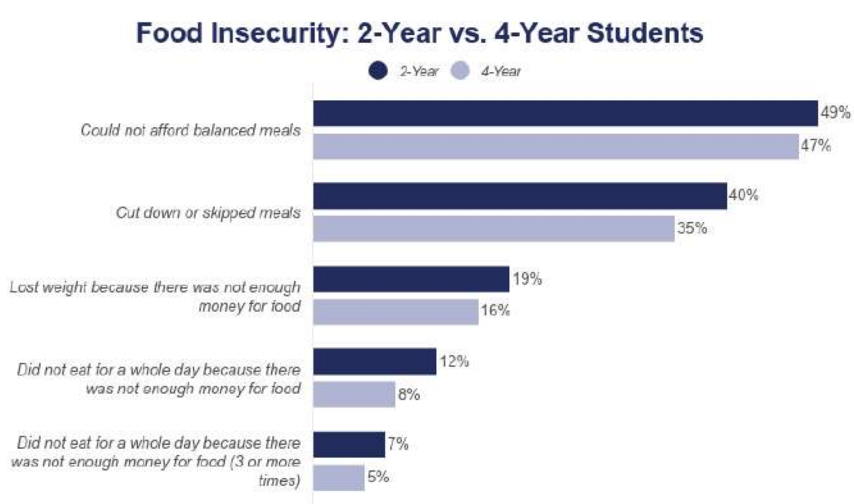


Beyond Sticker Price:

Living expenses such as housing costs, transportation and food occur for both students and non-students. Additional expenses may include dorm room or apartment furnishings or amenities, clothing, registration fees for certain exams/certifications, and of course-books.

However, one of the largest expenses for students enrolled in college is the time they are not spending working. It is increasingly difficult for many students to balance the cost of living with soaring tuition and fees.

- Nearly 25% of high school students considered middle class indicated they were not planning to attend college because of the expense
- In 2018, an average of 45% of students experienced frequent food insecurity
- In 2018 56% of students experienced housing insecurity and 17% were homeless in the previous year
- Over 50% of students from 2-year institutions and 44% of 4-year students worried about running out of food
- Nearly 50% of students could not afford balanced meals
- Military veteran students were 61% more likely to experience housing insecurity and 23% more likely to experience homelessness



Why is College So Expensive?

Some of the biggest contributors to increasing costs of attending college include:

- Increased demand: in 2017, there were 5.1 million more students attending college than in 2000
- Increased availability of financial aid for students represents increased funding from federal sources for institutions
  - *For-profit schools charge 75% more in tuition where students are eligible for federal loans*
- Students increasingly attend college away from home

> Even with financial aid, 70% of universities are unaffordable for most working-class and middle-class students.

Operating a college includes administrative, instructional, supplies, maintenance, construction, and other types of expenditures. Increasingly, colleges are spending more on administrative fees.

- "Ancillary services" such as amenities to attract higher-paying students can account for as much as $3,000 per student per year
- Marketing and fundraising
- Competitive salaries for top coaches and leadership

Teaching/instructional costs are frequentlydisproportionate with administrative costs.

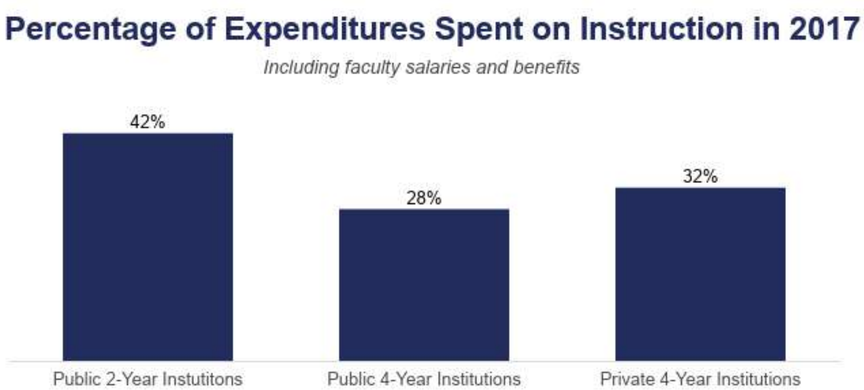
- Between 1975 and 2005, the number of administrators had increased by 85% and administrative staffers by over 240%
- Between 1993 and 2007, instructional spending per student increased by 39% compared to 61% increase in administrative spending per student

Colleges are increasingly hiring adjunct professors (non-tenure track and paid less than full-time professors) to save money

Between 2003 and 2013, non-tenure track faculty (adjuncts) had increased from 45% to 62% in 4-year schools

In 2018, 73% of all faculty positions were non-tenure track (adjuncts or yearly contracted)

In 2016, higher-ed institutions hired 21,511 full-time tenure-track faculty compared to 30,865 non-tenure track faculty



The Expense to Taxpayers

Most public institutions receive funding from state and local governments.

98% of state funding for higher education funding and 78% of federal higher education funding went to public institutions

In 2017, local and state governments spent approximately 10% or $297 billion on higher education compared to 1977, when these expenditures were closer to $105 billion (adjusted for inflation)

For most states, this was the third-largest expenditure, behind elementary/secondary education and public welfare

88% of this spending went towards operational costs and 12% went towards capital outlays (construction and maintenance)

- In 2017, 85% of higher education spending occurred at the state level (federal funding is typically provided by financial aid to students)

Most public institutions receive federal funding through financial aid to students.

- The number of FTE (full-time equivalent) students increased by 45% from 2000 to 2012:
  - Revenue per FTE student from federal sources increased by 32% compared to a decline in state revenue of 37%
  - Total federal revenue increased from $43 billion to $83 billion (adjusted for inflation)
- Federal loans increased by 375% between 1990 and 2013 compared to 60% enrollment growth

In Summary…

College can be expensive. However, there are a lot of ways to make it more affordable. There are financial aid options including grants, scholarships, and loans available to help offset the expense or pay for it altogether. For example, college tuition at 2-year institutions can be free for students who meet the criteria.

The decision to live off or on campus should be based on the actual cost of living and rents in the area. In areas where rents are high and housing scarce, it may make sense for full-time undergraduate students to live on campus at least for their first year or two. Colleges are not always correct in their estimates for the total cost a student must pay to attend.

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