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Investing in Your Child's Future (Webinar Recording)

Debra Gates: Hello, everyone. Thank you. We really appreciate you taking out time from your day to be here with us. We're diving into a topic that's incredibly important, but it can also feel a little bit overwhelming because we're looking at how to save- Just call ... and plan, invest for the next generation. So whether you're a parent, a grandparent, or simply planning ahead, the options, Roth IRAs, 529 plans, UTMA's, they can all feel like alphabet soup pretty quickly.

So what we wanna do today is to make this simple. We wanna make this practical because this isn't just about financial accounts. It's about what kind of future you're creating for the children in your life. As you listen, I encourage you to think about what matters most to you. Is it flexibility?

Is it tax advantages or control? And what role you wanna play in guiding your your child's financial future. But before we do that, before we dig into it, I wanna just give a couple of disclosures. While CAPTRUST at work delivers personalized investment advice, we do not provide legal, tax, or accounting advice.

And as a fiduciary, we are committed to acting in your best interests, taking the time to understand your unique goals, your priorities, and your financial circumstances. And we know that every financial journey is different, and through CAPTRUST at work, our goal is to support you with the knowledge and guidance to make confident, informed decisions along the way.

So I have a couple of guests with me, and I'm really excited about them. They come with different perspectives. And as you can see, the last names are the same because this is really a father and son duo. They're both advisors here at CAPTRUST. And Ted came to CAPTRUST in 2019, bringing over 30-plus years of experience.

He serves as a senior vice president and as a financial advisor. He's responsible for providing investment advisory service and comprehensive wealth management services to his clients. And when he's not at work, he enjoys

reading, hiking, and spending time with his wife and four children. Thank you so much for being here, Ted, and it's wonderful being here in your office, in the San Jose office, and it's actually beautiful up here today.

And we also have Ted's son, Bryce. Bryce joined CAPTRUST in 2023, and he provides investment advice and comprehensive wealth management services to individuals and families. With that, he brings a disciplined, service-oriented mindset to his work, shaped by his background as an active duty army arm- may- Officer in the United States Army.

Outside of work, his interests include hiking, fitness, and travel. Thank you both for being here with me today to let's dig into this subject. Ted, I wanna get your perspective as participants listen today. And, I wanna start off with a poll, and I want you to answer this question as to what mindset should they bring to get the most value out of this session.

I know what our intentions are, but can we talk about the mindset? But I wanna pop this poll up, and we really wanna kind of poll the audience in thinking, how confident do you feel about your understanding of investment accounts for children? So Ted, why is this topic really important, and what kind of mindset do you really want people to have as it relates to this?

Ted Lew: My experience with working with families from all different walks of life really comes down to being overwhelmed with the number of tools and options and choices out there. Parents feel pulled in many different directions, trying to take care of their own financial needs, but also wanting to set up their children for success.

And, that becomes a very confusing topic. Should I focus on my own finances or should I, really start to get my child on the track for independence? I think this is really relevant to lift the fog and to understand what choices are because, there, there's so many options and everyone's unique.

A- again, this is education because we can't possibly customize the information here today for everyone, every individual scenario. I'm excited to present some of the tools and to clear up some of the myths and, bring it down to what are, what is realistic versus pie in the sky.

Debra Gates: Yeah.

And a similar answer to the question, Bryce, tell me, what's one misconception that you, in your experience, that you see parents consistently have when they start this journey?

Bryce Lew: Yeah. Misconceptions happen fairly often. I think one is parents believing that it might be too late to be investing in their child's future, which isn't necessarily the case at all.

There's a lot of different options and different strategies for using them. You just have to keep an eye- open mind to all those various diff- different options. Another misconception would be people might be paying too much for college. And what I mean by that is they're saving enough funds, for example, they're saving enough funds for say, a four-year plan for the kid to go to Harvard or something like that, when in reality, all that is really maybe necessary their situation would be that they can go- fund trade school instead, or go to a community college.

Just keeping that open mindset to the various different options. There's no one set way in doing things.

Debra Gates: Absolutely. Absolutely. So let's see what the audience says. Basic understanding, some people are very confident, about 4.1%. Somewhat familiar, not comfortable the majority of it. Totally new, sounds familiar, but not really comfortable with the options.

We wanna really do some clarification and make sure that people are comfortable. So these conversations that we're going to have today, it's really gonna be a conversation. Please, if you have any type of questions, please throw them in the chat. We're gonna answer questions at the end. Ashley will come on, so she's noting those questions as as you're putting them in, and she's flagging them, and we'll get them to- at the end of the session.

But without any further ado, let's get started. So let's see. R- Rice, can you walk us through how time horizon really changes decision-making? Can you do that in a practical way for us?

Bryce Lew: Yeah. So I think time horizon might be one of the most critical factors when when comprising any kind of financial plan.

You need to understand how much time you have and it infects tho- it affects those investment choices, how aggressive or how conservative that you can afford to be. For example, parents who begin planning and investing for one

year, for a one-year-old they have a full 18 years of leverage for education and funding.

In that kind of scenario, investments have a time horizon that can afford to be aggressive and more growth-oriented. Then there's a- another scenario where parents might begin planning later, and that's, that happens often. Yeah, they start planning later, and say they start investing at the age of 14 for their child.

They only have four years to leverage that before they might start considering college for that child. In that scenario, that time horizon is extremely short and likely they can't afford to keep their investments aggressive. They have to keep their investments very conservative in order to preserve that initial principal and invest in the mar- in the event that the market is volatile.

They don't want that principal depreciating as soon as they need

Debra Gates: it. Yeah. So Ted, what-- are there any risk in either being too conservative or too conserv- too aggressive, at the wrong stage? How does that work out when we're looking at your level of risk? Because there is some risk involved when you're doing those types of investments.

Ted Lew: Just like Bryce just mentioned, time horizon really dictates how aggressive or how conservative you can be. If you're within close period b- before you need th- these funds to, to utilize them for either college or for trade school, or to help your kids in some other goal you, in some cases you may not have enough and you have to be more aggressive.

And but on the other hand, if you're too aggressive and you remain too aggressive right before the need to utilize the funds, let's say somebody's 18 and they're still aggressively invested, and all of a sudden you run into a scenario like COVID or 2008 Great Recession, where suddenly your, the market value of your stocks go down 20%, that could be disastrous for what your plan was.

So you have to have a glide path and become more conservative as you reach that target zone. And every situation is different. If you're starting out with a new child or a newborn, you've got this incredible time horizon and you can afford to be more aggressive. But if you're too conservative, you're not gonna hit the target.

And so it takes a little bit of calculation and some reverse engineering to really back into what is the number and how aggressive you should be. Should you be 80% stocks or 20% stocks, or should you be putting it all in a savings account?

And you've gotta also be able to sleep well at night. If you're too aggressive and you're just not r- really accustomed to that, your emotional backbone is not enough to withstand the ups and downs, then maybe you should be just looking at much more conservative type investments.

There's a lot of downsides from being too aggressive and downsides from being too con- too conservative as well. Yeah. So as I... What I'm hearing is that is it really depends on that family's situation, and you really have to make sure that you're considering those things and looking at time horizon, and looking at whether or not, and the timing for when you need to be aggressive or when you need to be conservative.

Debra Gates: So that's just a little bit of w- just a little bit more planning that you need to do. And so next we'll- and you have to

Ted Lew: be flexible as well

Debra Gates: Absolutely. Flexible, absolutely. And then know... And it's okay to pivot, and it's als- it's okay to maybe change directions in some of y- some of your planning.

So once you make this plan, it's not set in stone. I think that's the wonderful thing about all of this, is that you are able to pivot and getting that help and knowing when to pivot. As we're going here, when we are, Looking at options that people might have, if we're looking like a side-by-side comparison, when do you see people getting the most overwhelmed?

When we're looking at these kind of accounts. Is that for me? That can be for you, Ted.

Ted Lew: Oh, yeah. As I mentioned earlier the number of options are all across the table, and you really have to consider what is, what are you trying to accomplish? For someone with a high income, for example they may be very tax sensitive.

For someone who is behind, they don't have a lot of assets for even themselves, then you may be positioning your assets for maximizing financial aid for college. And this isn't just about college. Let me just back up into a macro view here. When-- My wife and I had four children, and what we wanted to do was to get them financially literate at a pretty young age.

So one of our goals in planning for the next generation was really to give them some experience in working with a checking account or a debit card and getting them used to being able to manage their own money. And so this isn't just about college planning or trade school planning, this is about launching your child with some financial literacy as well.

And so when we look through these tools here and all, and it can be overwhelming. There's Roth IRAs, there's the UTMA accounts or Uniform Transfer to Minors Act, there's 529 plans, there's also the Trump accounts. And so we'll go into a lot more detail for each of these, but they're for different purposes.

For example, if your kid is working part-time, like Rice did, he worked at the movie theater when he was in high school, and he was eligible to open up a Roth IRA with earned income. You can't just do that with gift money, for example. It has to be earned income. But a Roth IRA is a powerful tool for the future.

It is not the best tool for funding education. It can be a backup, but it depends on your situation. But a Roth can be extremely powerful to get an early start on saving for retirement and compounding growth tax-free. So that's one thing, but overall I think the number of choices can be very overwhelming.

But it's important to understand, what am I looking at? What am I trying to do? Am I trying to build financial literacy? Am I trying to also save for college? Some folks feel that- They wanna pay for half of their kid's college, and the kid also then comes up with half of it through work study or through scholarships.

And some people, they make too much money. They're middle class, and, financial- need-based financial aid is not going to be an easy win for them. And so it comes back down to what's realistic for your situation. Other folks have so many assets, they can afford to pay for their own tuition and room and board.

And then I've met clients who say I want my kid to ear- pay for 100% of their college. They're on their own because I had to do it all myself." And so it, it's across the board, you gotta listen to what your heart says as a parent on where you're guiding your child toward.

Debra Gates: Yeah. And I know we're gonna go into more detail about these, but can we just hit on the Trump accounts a little bit more?

And, when families... what mistakes do you see families make when they're selecting an account type? And that could be for Bryce or Ted. Just jump in there.

Bryce Lew: Yeah.

Debra Gates: We're all in here just- I can- ... having this conversation. We're all family at this point, talking.

Bryce Lew: Yeah ...

Debra Gates: just kind of-

Bryce Lew: I

Debra Gates: can-

give a brief overview of that.

Bryce Lew: Yeah, I can touch on that. Yeah, for when we talk about mistakes, I think one mistake is that-

Debra Gates: Bryce, can you speak up just a little bit?

Bryce Lew: Oh, sorry. Can you hear me better now?

Debra Gates: Yeah. That's much better.

Bryce Lew: Okay. Sorry about that. Yeah, so I think one big mistake that, I don't wanna say big, but a mistake that people will come across is believing that they have to stick to one type of account or being rigid in that belief where they only have one option.

There's plenty of strategies where you can utilize more than one of these options. And you mentioned Trump accounts, that's a great example of how you can leverage multiple different types of accounts. As my father just mentioned before, if the child is in a working phase or has any kind of earned income, they can utilize that Roth.

The parents can open up an UGMA or UTMA account, and they can also utilize a Trump account all at the same time, and those will help benefit in various

different avenues. Things to know about the Trump account is there's really no downside to not opening up a Trump account. It's something that's very new.

It's coming out as the... You can file to, to open up Tr- a Trump account as of July 4th, 2026, so coming up. And it can be a very powerful tool. It's something that's more catered towards investing into your child's retirement rather than their educational funding. There's a lot better tools for educational purposes, such as the 529 account or ESAs.

A few details on the Trump accounts. There's a \$5,000 limit on how much you can contribute- they're also known as TAA accounts. They're often referenced as just TA accounts. It's a great vehicle to invest into your child's retirement. There, it's a tax advantage growth. There's potential for employers to sponsor a TA account as well, so there's lots of different avenues for free money.

One of those avenues is there's a promotional and contribution from the US government for the eligible children born from 2025 to 2028, where it's just a free \$1,000 that you have to opt in when you file for these Trump accounts. So there's really no downside to not opting into this. It's just propelling your child forward for their future.

But there's some considerations with this. It's a simple investment structure, so there's limited types of investments that you can have with these accounts. You can only have this account, you can't access any of the funds in these account during the growth period, which is from ages zero to 18.

And during that growth period once the child turns 18 or older, they have to be aware of the tax implications because there's different options of how that child, they have full access to those funds as soon as they turn 18. So they have to understand the responsibility that comes with these funds.

These, if you're investing over an 18-year period for this child in this type of account, realistically, that account could grow into the triple digits or six-figure range for a child. That's a lot of money for an 18-year-old to come across. So having that realistic expectation that your child's capable of managing those kind of funds once they reach that age.

Debra Gates: Yeah. You know what I think what really stands out about all of this is that every option comes with a trade-off, and you just have to decide. You're not gonna get everything in one account. So I think that's what you have to decide. I wanna take another quick poll before we really get in simplifying the landscape of the, these investment vehicles.

What is your biggest challenge when it comes to investing for your child? Is it not knowing which account type to choose, basic understanding, you're somewhat familiar but not comfortable, and this is entirely new for me? So just take a quick poll and just let me know what what your thoughts are.

So Ted, before the poll, we were talking about the different options. Does it ever make sense to continue combine those multiple account types instead of just choosing one? How do you feel about that?

Ted Lew: Trying to simplify can make the plan more controllable by the parents. If you have too many buckets out there and a lot of folks do that with their own money.

They work for three- S- three or four different companies in their career, and their 401s are spread all over the place, and you lose control, or you forget where they are, and they end up losing track of what strategy you're using. The same thing applies here for planning for your children's financial future.

If you have too many different accounts, you can just start to have no rhyme or reason for the investment strategy. And there's a big difference between saving versus investing, 'cause investing entails risk, savings does not. A bank account or a high-yield savings account is different from a brokerage account or a 529 plan where you have you have some funds that are invested in stocks or bonds, and those can go up or down.

But over the long haul, they're gonna go up. But if your time horizon is short, unless you're going to be y- unless your time horizon's at least five years or more, it's typically risky to go into stocks. But with savings, it may not be a high enough yield in order to make it worthwhile, so it may be a blend of the two.

Trying to at least getting the right tools, maybe two or three, is much easier for busy parents to keep track of and to be good stewards of as they move forward. I think that's key.

Debra Gates: Yeah. So let's go and see what the responses we have gotten. And there is number one response, 50% of the audience today not knowing which account type to choose.

And so as we continue with this, we're gonna talk about there's some times when you might need to get some help and speak to someone about making these decisions, and bounce these ideas off o- off of someone. And, we are

readily available with CAPTRUST to help you to give you some guidance and tell you about these different accounts.

And, ultimately, the decision is up to you, but the people on our desk, they can help you with those things. So as we move on in looking at these investment vehicles for children, Price, I'm gonna start with you this time. We were looking at risk tolerance. How should that factor into the decisions for children?

And can you give an example of how the same goal might be funded differently depending on risk tolerance?

Bryce Lew: Yeah. Risk tolerance is an important piece to identifying many any financial investment decision it's molded by a multitude of different reasons such as market volatility, prior investment experiences, and even childhood experiences.

The key is to be flexible with your risk tolerance. It all depends on what the goal is and how far that goal we current- or how far from that goal we currently are. We can work around the risk tolerance, or we can work around the goal. It's really one or the other.

Debra Gates: Okay. And Ted, what role does the behavioral discipline play when ma- when markets got a little bit volatile and when we're looking at investing in these different types of accounts?

Ted Lew: Yeah. These are... right now we've got a lot of volatility with global events going on and military action going on in various places throughout the world. Volatility is always with us, which is what we're investment accounts that involve stocks or bonds that go up and down. You've gotta have the right discipline to stick to it.

If you're going to panic and then go to cash and then go back in and then come out again, that is no way to manage an investment account. You have to be disciplined to stick by the plan, set up the right blend of stocks and bonds and cash, and then stick to that. Make some minor adjustments, but to bail out every time the S&P goes boo is not a plan.

That's reactive, and that is very counterproductive to an overall financial goal. And being disciplined about another thing. That's if you use savings. I see this happen a lot where people say whenever I have a little extra money, I'll make a deposit into savings." Instead of every month automatically paying yourself first

or paying your kid off first by putting a deposit into that savings on an automatic draft situation.

That's discipline, and by doing that, it's passively taking money and putting it in, into either savings or even into investing. That if you automate it, it overcomes that human behavior that causes you to forget this month or to be tempted to use that on something else that's more tempting. Going shopping or, going on a vacation.

Having that recurring discipline to put that money to work for yourself is far, a far better way to overcome this human behavior called hesitation, procrastination, and fear.

Bryce Lew: Yeah. Discipline is such an important piece. I know a little bit about that from my military experience, of course. But, I think we should talk a little bit more about this in some more detail.

Can we go to the next slide, Debra? Absolutely.

Ted Lew: Okay. So- So we're on- So Ted, I think you're gonna start with this. I think think you were gonna just, in our prep when we were talking, and just take a step back and just tell us and divine, define what custodial accounts are. And then, going into the details about the loss of parental control at the age of majority, how significant that is.

Debra Gates: And whereas I noted earlier about their trade-offs, you're not gonna get everything in one account. Can you tell families how they think about the trade-offs when we're looking at UTMA's? And we did have that, you saw that, we talked about 529 plans. We had that on the slide before. We're gonna go into a lot more detail about 529 plans.

So just sit tight, we're gonna talk more about that. But I kind of wanna talk about this this UTMA's. What can you say about that, Ted?

Ted Lew: Yeah. Let's talk about UTMA. So what is an UTMA account? It's a Uniform Transfer to Minors Act account. Basically what it is, it allows mom and dad to hold the f- hold a cash account in the name of the child.

It can be invested and it can grow. It is not necessarily a big tax break, although kids are taxed at a different rate than parents. But be careful because there's something called a kiddie tax, so that high income parents can't just transfer money into their kid's account to avoid taxes. So watch out for the kiddie tax.

Check with your CPA or tax advisor for that guidance. An UTMA account belongs to the child, but y- the parent keeps control of it un- until they reach the age of majority. When the child reaches that age, and it varies from state to state, but in most cases it could be 18, 21, or even 23. And when they reach that age that's predesignated in that account, that money is now the child's.

And they're an adult, and they can go blow it on, a sports car or a motorcycle. Motorcycle, right Bryce? They can use that money to whatever they want. There's no longer any control by the parent. And so that becomes a concern for some parents. Some children are really great and disciplined and know what they want to spend it on, are very wise with money.

Others are not. And I have four kids, and- I was fortunate. All four have been pretty darn prudent with funds and managing cash, and and I attribute that to the fact that we gave them training wheels at an early age. But UTMA accounts are a great way to get started. The child can help, select investments within an UTMA account, and that way they can track how it's doing.

If they really like a particular company, let's say they love Nike shoes, then they could invest in a Nike stock, and they can track it, and they become a little bit more financially literate that way. It can vary. Or parents can just completely run it, and then when they turn 18, they say, "Surprise, here is your account.

This is your nest egg to get started as an adult."

Debra Gates: So Bryce, I know you have a story. You have a real... You're one of your real-life experiences that I want you to share. We talked about in prep. But as you do that, after you do that, can you tell us what conversation should parents have early to prepare your children for eventual ownership of these assets that are coming through?

Bryce Lew: Yeah, absolutely. So as my father was alluding to, the importance of talking to your children and get- like explaining the importance of how to manage your finances, building those, build- building those, that foundation, the building blocks to that discipline in managing money that was instilled into me at a very young age, as well as my siblings.

My parents made us make checking accounts very young, savings. We even got credit cards and learned the importance of not spending everything that you have on a credit card. I learned how to manage my funds. I learned the importance of earning my own money and making sure that I wasn't going through it, and then also just getting exposed to actual investments.

In my military career while I was deployed in the Middle East, there's a lot of time on your hands, and it's a very popular activity for soldiers to get involved in day trading, and that was my first experience in the stock market, was in 2021, I'm sure a lot of people are familiar with the good old stop short squeeze buckle that happens.

A lot of people got really heavy into trading. A lot of people or a lot of soldiers in my unit did, and I hopped onto that bandwagon. I didn't have nearly as much experience as I do now, of course so I didn't know what I was doing. But I quickly learned from my mistakes and my successes by just doing trial and error, and it's important to do that when money... Of course, money's important at times, but when you're younger, when you don't have as much, and you can play around with it, you can afford to lose a little bit of money and learn from those small mistakes which build into big successes. So yeah, having those conversations with your child about- Going through tho- those steps and being responsible it's very important

Debra Gates: Yeah.

Financial literacy is so important to understand and and understand that at an early age. So it's really the responsibility I think, of parents to really have these conversations, and sometimes it's a hard conversation. And just to teach your children about money and how to deal with money so when they go to college and they get all of these applications for credit cards, and they say yes to them, and then they're in more debt than they can possibly imagine because they didn't have the discipline with those credit cards.

So that's very important to make sure that that is taken care of. As we move forward, going a little bit more deeper into Coverdell for just a moment. So Bryce, I'll start with you. For families focused on K through 12 expenses, how should they think about prioritizing these ESAs? And can you just define what a, a Coverdell savings account is?

Bryce Lew: Yeah. A Coverdell is a tax-advantaged account that you can invest for your child to grow growth free for K through 12 and higher education expenses. It can be a powerful tool, but it's very specific for primarily that K through 12 education, and that's mostly gonna cover expenses for if you're looking for something s- a more expensive education.

It's more used for if you're looking for a private education for your child. That's m- more often than not when you see that utilized. And it's more often not gonna cover full expenses. It's more of a supplemental thing. Because of that

\$2,000 limit annually, you can't really get a whole lot in there during that growth period for your child.

So think of it as more of a supplemental vehicle for that investment.

Debra Gates: So Ted, what's the key nuance about ESAs that really sometimes investors overlook? And especially for parents that are not really sure, what's something that they overlook when they're looking at these ESAs?

Ted Lew: They, I think people looking at ESAs are probably overlooking the fact that at \$2,000 limit per year, it is not an ideal primary source of funding education, unless the educational goal is fairly modest, like community college or a short duration trade school.

It's really better suited for K through 12, as Bryce mentioned, and I think that's the thing that people if they choose an ESA, it's ideally a supplement or designed for earlier use for K through 12 private education. It has some tax advantages, but really it is inferior, or it's really been outclassed by the 529 plan, as 529 plans have expanded in use and their limits are much, much higher.

And so Co- Coverdells or ESAs, they're the same thing are really just a, an augmentation to, let's say, 529 plans. 'Cause 529 plans can now be used for K through 12, and we'll talk a little bit more about that momentarily when we go on to the next slide. But I would say don't count ESAs as a, the, your mainstay method of college funding, but know that it exists.

Know that it's maybe great for those of you who really want to use it for K through 12 education or SAT prep or some other type of early childhood education through between K through 12, and understand what the qualified expenses that can be used for

Debra Gates: it. Okay. So let's move on to let's talk about these 529 plans.

We ta- we spent a lot of time in prep about this, so can you just give us a brief definition? What makes it such a great tool i- in planning?

Ted Lew: Who is that for?

Debra Gates: Ted. That's you, Ted.

Ted Lew: Oh, okay. Great. All right. 529 plans they're, they are the preferred tool of choice for funding college at this point.

And there's a lot of frequent misconceptions about them, but let's go through with what they are. They are a method to take after-tax money, invest it early, and let it grow, and it grows tax-free as long as your distributions out of the 529 plan pay for tuition, books, mandatory fees, and room and board.

And that's a large number of items. Even a computer for college can be covered under a 529 plan. That's been tested by the IRS in the past, and that is still allowed. So that's a wide area, but it's not for cars, not for, toiletries. But it's... Room and board covers a lot. One of the limitations on room and board is that your room and board cannot be higher than the most expensive dorm room and food package, meal package at that college.

So you can't put your kid in the Taj Mahal using a 529 plan and expect the IRS to allow that. Keeping good- records is important for what you're using the money for. But this is an ideal tool for a longer time price, and because if you invest it at an early age when your child is between newborn and five years old, that gives you many years of compounding growth for the, for whatever you're invested in.

And then when you withdraw it out, you're paying no taxes on that growth. Now, what happens if you use it for a car or some other expense that may come up? Now you're gonna pay a 10% penalty, and you're gonna owe taxes if it's not a qualified higher expense. And then the natural question then arises what happens if my kid gets a full scholarship?

And, I'm gonna let Bryce answer that 'cause he had a 529 plan, and he ended up with a substantial military scholarship.

Bryce Lew: Yeah. I've got plenty of experience with 529 plans. It was a saving grace, to say the least. Having that safety net of the 529 plan really allowed me to pursue my goals in college.

It also taught me the responsibility of managed money also. Again, on that lesson it was very important to be able to track everything that I was spending on. That was drilled into me quite often about making sure I knew exactly what I was spending it on and how to track it efficiently, and I always did that in an Excel spreadsheet.

Saved every receipt on everything I purchased, making s- sure it was a qualified college expense. And then again, on that, independence for me was very important going through college, being able to be self-sufficient, which is why I wanted to pursue my career in the military. And with a little bit of deter-

determination, I was able to secure that full-ride scholarship and contract to commission into the United States Army.

Full ride, so I didn't have to rely on the 529 anymore. It was there if I needed it, but there was excess, and it's important to know what to do when you don't have to utilize all of those funds. There's options for a child, that you can... The beneficiary that can be transferred to a new beneficiary.

The owner of that 529 account can transfer that over to a new beneficiary if there's still funds left over to fund a new education. Or that beneficiary, that original beneficiary, does also have the option to roll it over into an existing Roth IRA.

Debra Gates: Wonderful. So Ted- ted, I know that you work with a lot of families, and so how should families e- evaluate the in-state versus the out-of-state plans?

Looking just beyond, beyond the tax benefits, what would you... How, what has been your experience with that?

Ted Lew: One thing that's important to realize is 529 plans are sponsored by state government. So California has a plan, Colorado has a plan, even Alaska has a plan, a really good plan.

And so some states, for example, Colorado, does- they do give a state income tax break for choosing their own plan. So if you live in Denver and you use the Colorado-sponsored 529 plan, you can get a tax benefit on your state income tax if you're a resident there. Whereas in other states, for example, California, there is no benefit for choosing the California plan if you are a California resident.

So Californ- my California clients, we shop around for the best 529 plan in terms of investment selection and low expenses and try to get the most convenient one and most efficient one cost-wise to utilize. So it really depends where you live to, to determine whether you should select your own state plan or whether you choose a out-of-state plan.

There's also something called prepaid 529 plans. It's a very narrow section. These are 529 plans in t- technically, but they are dedicated to one particular college. And I believe in Florida they have quite a few of these prepaid plans for the University of Florida public education system. So you can lock in your tuition at an early age if you're absolutely sure your kid is gonna go to that particular college.

That you've gotta be somewhat careful about. So I hope that clarifies in-state versus out-of-state.

Debra Gates: Abs- absolutely. You know what? It's amazing how fast this time goes by. Let's talk briefly about... I know this can be a sensitive topic, and you hit on it earlier, Ted, but how do you help parents prioritize between their own retirement and their child's future?

Ted Lew: One of my favorite sayings to tell people is that when you're boarding on an airplane, the flight attendant comes out and they say, "Put your oxygen mask on first in the event of an emergency before you attend to the child next to you." And that's really true for planning for retirement as well in general.

This is at a high level, but if your own... If you're floundering financially, you can't necessarily afford to be really generous as far as putting aside money for college. Because invariably, your child can borrow money- For college, but nobody's gonna loan you a dime for retirement. So that's one of the overarching philosophies that I try to address with my clients before we get really into the college plan.

And if we have a solid foundation for them, they are on track for retirement, then we can go and see how much should we be putting aside in order to accomplish it. And most people with two incomes these days are more than prepared to put aside some money toward college. But there's a lot of other ways to pay for college besides scholarships or need-based scholarships or merit-based scholarships.

There's also community college and also military service. Like Bryce earned a four-year scholarship through, through the US Army. So there's many different ways to fund college without necessarily putting it at, jeopardizing mom and dad's retirement.

Debra Gates: Absolutely ...

Ted Lew: yeah,

Debra Gates: absolutely.

And you know what? And, I know you, we talked when we were talking that there was a couple that, they had to recalibrate, and sometimes you have to do

that. And also in choosing the school that you wanna go to. So how important is it to define what type of education you're planning for early on?

Ted Lew: Yeah,

Debra Gates: Ted, I'll give you that one.

Ted Lew: Yeah, I think that I think that identifying whether it's a public four-year college or, or at least even outlining what the overarching parameters are first. Is mom and dad going to pay for 100% of a four-year degree? Are they gonna pay for 80% or, are they going to pay \$2 for every dollar that the child puts in?

There's no right or wrong answer there. But identifying what the target is. Some kids are not ready for college when they graduate high school, and so they may want to look at a gap year before they go off to college. But identifying is the goal a trade or technical college, nothing wrong with that.

There's people who-- I know a guy who on the back of a matchbook back 30 years ago learned to program, learned to code, and became a multimillionaire because he learned to, to work in technology, and it was just a trade school. And then on the opposite end there's Harvard and the, the Ivy League colleges or Stanford or or Duke.

And for many people who are below a certain threshold of income, the endowments of these private schools can supply a great deal of financial aid. But one thing that I think that gets overlooked are the value that community colleges offer. Community colleges, I have a friend who is a great surgeon, and he started off at a community college.

I have another friend who is a partner at a substantial law firm, started at a junior college, and she now funds a scholarship at that community college because she felt she had such a great foundation at that particular community school. And then there's in state versus out of state public universities, and then grad school.

Are mom and dad going to pay for grad school, or is the four-year undergrad degree the limit? Gotta identify what is the goal that we're looking for. And then again, there's also the service academies too. That's not on this list, but you can get a four-year full ride payment through the Coast Guard Academy, the ar- US Army West Point Military Academy, Annapolis for the Navy, and as well as the Air Force Academy in Colorado Springs.

And so those require congressional nomination, but they are all great ways to get an education. And the military has funded even doctors and lawyers to go to graduate school as well. So that's- Absolutely ... that's a wide array.

Debra Gates: Yeah. It's just a matter of really defining that goal and then putting some structure around it.

So if we're looking here at the target, talking about setting that target how do they really define parents define their clear financial goals? And you spoke earlier about the gap year, about parents paying for a partial amount, work study all of those things are involved as, as well as we look here at this list.

As we're coming up close against time, Ashley, I know that there are probably some questions that are in the in the question box that we wanna make sure that we get to. And while we're asking those questions, I just wanna put up how you can contact CAPTRUST as we go through these questions. So Ashley, fire away.

Ashley Thomas: Sure. So we've had a ton of questions come in. It highly resonated with everyone when you gave that motivation to the parents to keep saving for themselves. So Ted, we appreciate that reminder for the parents. A lot of people are wondering if they're feeling behind, what's the most impactful action that they can start taking today to start making progress towards that goal for that child because a lot of people have been talking about, "Hey, my child is 15 right now.

My child is getting ready to go to school in two years", or maybe they're preparing for that child that's in kindergarten. What's the most impactful thing that they can do right now?

Ted Lew: I think the most important thing is to start saving something. Even \$50 a month. It may seem like it's a minuscule amount, but just get started.

\$100, \$200, \$500, just get started on an automatic deposit into a 529 plan or a, UTMA account or a ESA. 529 plans for higher education are probably the best choice and the most versatile. I would say just get started. Talk to someone. Call our helpline. Our folks are well-trained to give guidance on what's the best tool to help you with.

There's plenty of material online. It's, it can be incredibly confusing, but I would say just get started. Yeah. Now, are there any resources that you have off the top of mind that you can mention? Because some people were saying, "Hey, I don't

know about this subject. How can I learn more? What type of reading can I do to really get better versed on this conversation?"

I would start with just the financial aid website for the university that your child is considering, if they're older. If they're young, then there's plenty of books out on the market on 529 plans or on actual financial planning. My fellow CAPTRUST advisor, Veronica Karas, has a wonderful series of books, K-A-R-A-S on financial planning, and I give those books out to my clients.

I think so highly of it. And so it's a, it's just get educated. There's a wonderful website. I think it's called savingforcollege.com. Another important thing to look at is if you are feeling behind, there's a certain websites that will match you to scholarships, called Fastweb is one of them, www.fastweb.com.

It's basically you put in your profile or your child's profile, and they will find scholarships for left-handed engineering majors. I kid you not. It's really that esoteric and and specific.

Ashley Thomas: That's such a helpful tool. Thank you for mentioning that, Ted. Again, that's fastweb.com. I don't know if we can squeeze in this final question.

I don't know who will take it, Ted or Bryce. But, how do you measure whether a plan is on track or not? And realistically, how often should a family revisit and adjust their plan?

Bryce Lew: I'll let Bryce go with that. Yeah, I can take that one. Continuous check-ins are very important. That's how you, that's how you gauge if you're on track or not, is keeping a pulse on it.

It's the same thing of, as when you go to check your health with the doctor. You do an annual checkup to make sure you're healthy, right? It's the same thing with your finances. You gotta make sure that you- you're on track and you're healthy. Talking to a financial advisor, seeking that professional advice and insight into whether a financial plan is on track.

We have access to software that can project out exactly where you're gonna be in this, in a certain amount of time, given your time horizon, and how aggressive you're invested or conservative you're invested, what your goal is. So seeking out those professional resources can definitely help. You can definitely do it on your own.

It takes a little bit more discipline, but yeah, if you just do those annual checkups at the bare minimum. If you wanna keep a closer look, do it semi-annually. Now, Debra,

Ashley Thomas: can you guys-

Debra Gates: Ashley, I know you've been answering questions in the back. I know you've been answering questions in the background.

We have a entire team that's answering your individual questions that come through. But Ashley, just to squeeze in one more question, and then if you, after that question, can you close us out on that?

Ashley Thomas: Sure. Yeah. I'm wondering, just based on what you just said, Bryce, what signals tell you that someone could really benefit from that personalized guidance or advice?

Bryce Lew: Yeah. So I think when, the signals that we were looking for is when people are uncertain what their target or goal is that, that lack of definition. When they have difficulties with personal budgeting as well or just budgeting in general for the personal finances. Those are some indicators that they might need some assistance on getting on the right path to, if they're, to help their children.

Because if they're having difficulties with themselves, they're probably gonna be have, having difficulties setting their children up for success as well.

Ashley Thomas: Yeah. Thank you so much for that, Bryce and Ted. We appreciate the information. I know we're running up to time, so Debra, I'll go ahead and turn it back over to you.

Thank you.

Debra Gates: Okay. We've got four minutes, Ashley. I think we can get one more question in.

Ashley Thomas: Okay. A lot of people have been asking about Roth IRAs versus the 529s versus the Trump accounts, and all of these account types. Does it make sense to maybe use all of these as a strategy, multiple account types, or should they be prioritizing that 529 and then moving that money into a Roth IRA?

What's the best way that they can use all of these different tools to help them accomplish this goal?

Ted Lew: I'll take that. I would say it's very individual. It really comes down to what is the con- financial condition of the parent, and what will the financial condi- what are the goals here? If the child is gonna go to college, a 529 plan is by far the best tool, And it allows enough flexibility, I think that to be able to convert it to a Roth. But the Trump plan is there's some free money there. So I would not hesitate to utilize that Trump 530a plan to to at least capture that and get the habits going.

So yes, you can have multiple activities going, just not a dozen of them, but two or three good ones that make sense, that teach financial literacy, save for retirement, and also capture the incentives that the government is putting forth to build wealth at an early age for your son or daughter. Great.

Ashley Thomas: Thank you.

Debra Gates: Thank you so much for that, Ted. Thank you, Ashley. Okay, I'm gonna c- I'm gonna stop because I don't wanna go over, and we appreciate everyone's time today. If you wanna speak further about this, you can call a financial counselor. Call us at 1-800-967-9948, Monday through Friday, 8:30 until 5:30, Eastern Time, on Friday until 4:00.

It's not always convenient to call during the workday. If you wanna schedule a time that works better for you, schedule an appointment and just go online at captrustatwork.com. Our availability updates often, and you can make an appointment as late as 8:00 Eastern Time. So again, thank you, Ted, Bryce, invaluable information.

I cannot thank you enough for taking the time to do this with us today. Ted, you are a great father. You, you get Father of the Year award. I'm gonna make sure we get a plaque for you, because you do such a wonderful job- My

Ted Lew: wife ta- my wife deserves the credit

Debra Gates: Yes, you do- She's the one who opened the account for Bryce ... a wonderful job with Bryce. Absolutely. So thank you again. Listen, I hope that everyone has a very safe day a wonderful day today. Stay safe, and thank you for joining us. Have a great day. Goodbye, everybody.

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