

College Savings for Military Families



The [average annual cost of attendance](#) (including tuition, books, and room and board) for a student attending a public, four-year, in-state institution is just over \$26,000. This yearly cost doubles if that same student attends a private institution. For military parents with multiple children who plan to attend college, those costs can be overwhelming to think about – over \$100,000 *per child*. Need-based financial aid is available, as are loans, but parents who want to strategize about their children’s future education and reduce their loan liability may do well to consider the following.

GI Bill Benefits

The [Post 9/11 GI Bill](#) provides education benefits to active duty servicemembers. Qualified servicemembers are typically eligible for up to 36 months of benefits that can be applied toward tuition, room and board, and books and supplies at postsecondary institutions. The benefits can be used for their own education or that of their spouse or children if they transfer the benefit and meet additional service requirements.

The GI Bill wholly covers tuition and mandatory fees at public postsecondary institutions, but typically only about half the cost of attending a private institution each year. Further, because a servicemember only receives 36 months of benefits, the GI Bill is unlikely to fully cover the costs of sending multiple children to school.

Active duty servicemembers can transfer their Post 9/11 GI Bill benefits to their children, provided they meet the following requirements:

- Served on active duty for a minimum of six (6) years at the time their transfer request is submitted for approval, *and*
- Agree to serve an additional four (4) years, *and*

- Enroll the person to whom they are transferring their benefits in the Defense Enrollment Eligibility Reporting System (DEERS).

A servicemember can choose to transfer all or a portion of their benefits to their dependents, but benefits must be transferred in one-month increments. A servicemember with two children, then, may choose to split the entitlement between both and transfer 18 months to each child, while a servicemember with one child may choose to transfer 18 months to that child and retain 18 months of benefits should the servicemember decide to go back to school. Once entitlements have been transferred, the servicemember can adjust the allocation as necessary among any individuals to whom they transferred at least one month of benefits. They can also rescind any benefit that was transferred or reclaim the benefit for their own use.

Children must wait to use the benefits until the servicemember has completed at least 10 years of service. Furthermore, children cannot use the benefits until they have earned their high school diploma or turned 18 years old. Benefits expire when children reach their 26th birthday.

Servicemembers can request a Transfer of Entitlement through [milConnect](#).

Yellow Ribbon Program

The [Yellow Ribbon Program](#) allows students with GI Bill benefits to attend more expensive institutions than would otherwise be affordable with the GI Bill alone. However, not all colleges and programs participate in the Yellow Ribbon Program. Students must attend a participating institution that has not yet offered the benefit to the maximum number of students allowed by the school's agreement with the Department of Veterans Affairs. (In other words, each school has a limited number of spots.)

Schools that participate in the Yellow Ribbon Program agree to contribute an additional amount of money toward tuition and fees; this amount is then matched by the VA through the VA GI Bill Benefit entitlement, effectively doubling the benefit. This can help students attend private or foreign institutions.

Note that not every Yellow Ribbon Program agreement is the same. Some schools may use the Yellow Ribbon Program to help cover the entire cost of tuition and fees beyond what is covered by the GI Bill. Others may offer different contribution amounts depending on the chosen field of study or degree level. Students may still be liable for some costs even after receiving both GI Bill and Yellow Ribbon Program Benefits.

[Search for schools that participate in the Yellow Ribbon Program.](#)

Applying for the Yellow Ribbon Program involves first applying for Post 9/11 GI Bill benefits and receiving a Certificate of Eligibility, then working with the educational institution to apply for Yellow Ribbon Program funding.

529 Education Savings Plans

Military families can benefit from using a [529 education savings plan](#) to save for a beneficiary's future education at any qualified institution. There is no annual contribution limit, but there may be a lifetime contribution limit (between \$235,000 and \$529,000) that depends on the state that hosts the plan.



529 education plans offer families plenty of flexibility. Not only can funds contained within an education savings plan be used to pay for costs associated with higher education, including tuition, textbooks, and room and board, but up to \$10,000 of these funds can also be used to help pay for private primary and secondary school tuition each year. Further, an account owner can change the beneficiary of the 529 plan at any time, which is useful if, for example, a child decides not to attend college or decides to join the military and no longer needs funds for education. Money left over in a 529 plan can also be rolled over into a Roth IRA for the same beneficiary without penalty.

There are also income tax benefits associated with owning a 529 education savings plan. Many states offer a tax deduction to people who contribute to their state-sponsored 529 plan. While military families are not required to purchase a 529 in their state of residence, those who pay income taxes in their home state may receive a tax deduction if they participate in their home state's plan instead of the plan in the state where they currently live.

Additionally, all of the money deposited into the account can be withdrawn tax-free as long as the funds are used for qualified education expenses. Penalties are only incurred when funds withdrawn from the account are not applied toward qualifying educational expenses; in this case, withdrawals are subject to both state and federal taxes, and a 10% penalty is applied to all earnings. Note that, if the plan's beneficiary gets a tax-free scholarship or grant, funds can be withdrawn up to the amount of the scholarship *to be used outside of qualified educational expenses without any penalty*. However, any earnings on the withdrawal amount are still subject to taxation. The ability to withdraw without penalty if a scholarship is awarded also applies to any funds received by the beneficiary as part of the GI Bill.

Chapter 35 Benefits (Survivors' and Dependents' Educational Assistance)

Dependents of certain veterans with a 100% permanent and total disability rating and the survivors of veterans who died from a service-connected disability may have access to additional educational benefits through the Survivors' and Dependents' Educational Assistance program (also called DEA or Chapter 35). This program provides a monthly stipend for up to 36 months of educational assistance and can be used in addition to the GI Bill. However, DEA and GI Bill benefits cannot be used concurrently. [Learn more about DEA.](#)

When it comes to saving for college, military families have a few options that are out of reach for civilian students. If you're interested in learning more about the educational benefits that are available through the Department of Defense or the Department of Veterans Affairs, you can [contact our Education and Veterans Services team online](#) or by calling [888-298-4442](tel:888-298-4442).