COLLEGE PLANNING

Giving The Children In Your Life The Gift Of Education

(NAPSA)—Taking short-term steps toward saving for college can help parents and grandparents reach the long-term solution of a brighter future for the children in their lives.

A student loan can cost a lot more in the long run than saving now and could be a huge financial burden for your child to pay off. For instance, a $100,000 college bill could cost $65,893 saved, versus $145,593 if borrowed. College Savings Plan Network. Copyright 2008. Hypothetically when based on level payments over a 10 year period earning 8 percent interest.

By saving now in a 529 college savings plan, your earnings grow tax deferred and you may be eligible for a tax deduction depending on your state of residence. Another great feature of a 529 college savings plan is the flexibility to change beneficiaries on the account. If one child does not go to college, simply transfer it to another child or use it for your own education should you decide to go back to school.

Helping a child get the education they deserve is a great feeling, but the benefits extend beyond education. Contributing toward their education can help you attain your own financial planning objectives. With a 529 college savings plan, not only are contributions excluded from your estate for federal estate tax purposes, but you can contribute up to $65,000 ($130,000 per married couple) in a five-year period without triggering a gift tax or generation-skipping transfer tax. Plus, you may be eligible for a tax deduction depending on your state of residence. The availability of such tax deductions or other benefits may be conditioned on meeting certain requirements. It is important to note that there is market risk involved when investing in mutual funds, including possible loss of principal.

Anything you put away for them now lessens their burden of borrowing later.

One of the greatest gifts you can give to the children in your life is the gift of education.

CSF, a national nonprofit helping American families save for their children's college, found in its latest annual State of College Savings survey that parents who used automatic savings plans were far more successful savers than those who didn't. An automatic investment plan does not assure a profit and does not protect against loss in declining markets. It involves continuous investment in securities regardless of fluctuating prices. You should consider your financial ability to continue purchases through high or low price levels.

Don't let the rising costs of college deter you from saving for a child's future education. A registered State Farm Agent, or other financial services professional, can help you get your college savings goals on track.

For more information, go to www.statefarm.com.

State Farm Mutual Funds are available through prospectus by registered representatives of State Farm VP Management Corp., One State Farm Plaza, Bloomington, Illinois 61710, 1-800-447-4930. Please read the prospectus and consider the investment objectives, risks, charges and expenses and other information it contains about State Farm Mutual Funds carefully before investing.

Editor's note: May 29 is "529 Day."