

College Planning

Saving for College 101

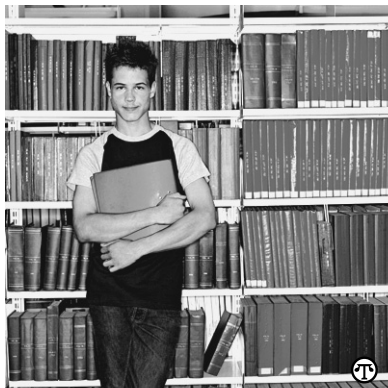
(NAPSA)—Whether their kids are graduating from high school this spring or entering the classroom for the first time this fall, one question often surfaces to the forefront of parents' minds: How will I fund my child's college education?

According to "Trends In College Pricing 2004" issued by The College Board, the average tuition and fees for in-state students at public four-year colleges and universities has increased more than 10 percent over the last year. This trend doesn't show signs of stopping. In fact, if the increase continues at a similar rate over the next decade, parents of an eight-year old child can expect to pay more than \$80,000 for a four-year public institution to cover tuition, fees, room and board.*

But while college costs have increased, the good news is that so has access to tools available to help families begin saving money for college. Families should consider taking advantage of savings vehicles such as 529 plans as well as rewards programs to help jumpstart their college savings plans.

There are many options when it comes to saving and investing money to be applied toward education costs. Using an investment vehicle designed specifically for college costs may offer the best advantages. Taxpayers can reap significant tax benefits, such as tax-free earnings, if funds are actually used for higher education costs. IRS Publication 970 (available at www.irs.gov) outlines the available tax benefits.

Many states have college-savings plans, also called 529 plans, available for both in-state and



There are tax-free ways to save money for higher education costs.

out-of-state residents. Because these plans vary from state to state, one of the first key features to look at is the availability of a state tax deduction. Also take into consideration program fees, investment choices and minimum contributions.

There are other options available to help accelerate savings plans. Rewards programs such as Upromise® can also help families save for college. By their looking for the "U" on shelf tags at grocery stores and making purchases at participating gas stations, drug stores, restaurants and other retailers, a percentage of a family's qualified spending on everyday items is deposited into an account, which can be linked to certain 529 plans.

The important point is to start early. Developing a savings plan early on and staying committed to the plan are steps that can make a meaningful difference when it comes time to pay the first tuition bill.

* Sources: Upromise Investments and The College Board