COLLEGE PLANNING

Maximize Your College Savings Plan
Not All 529 College Savings Plans Give You The Same Bang for Your Buck—Choose Wisely

(NAPSA)—Paying for college: Will you be ready when the big day comes? Since state-sponsored college-savings plans were turned into tax-free accounts last year, they have become parents' best chance at saving for their kids' college costs, experts agree.

Called 529 plans, these are the only college-savings programs that are completely sheltered from federal taxes and have no income restrictions, so any family can participate. Despite a weak stock market, assets in these plans grew more than 65 percent in the first half of this year and should end the year at $25 billion. Projections see assets hitting $200 billion in the next five years.

Nearly every state has a 529 plan; a few offer more than one. A word to the wise: They don't all give you the same bang for the buck. Investment options, expenses, contribution limits, tax benefits and other features vary widely. Here's a quick look at the 529 basics:

• Each 529 plan is sponsored by a different state and managed by a financial services firm such as Merrill Lynch, T. Rowe Price or TIAA-CREF. Contributions grow free of federal taxes as long as they are eventually used for college costs.

• You can invest in any state's plan, no matter where you live. Regardless of what plan you choose, your beneficiary can attend any college or university in the country.

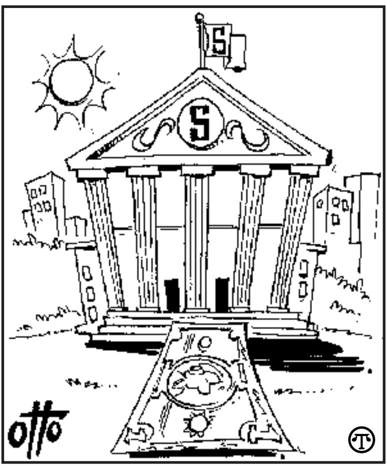
• Invested assets can be used by any child—or anyone else, including yourself, named as beneficiary. If your first child decides not to go to college, you can use the money for your second. Grandparents or other benefactors can contribute money to a 529 plan.

• You can't select your own investments; you choose from various asset-allocation models. However, you can move your money between portfolios or even between different 529 plans.

• All plans have a maximum amount that you can contribute over the life of the plan but most have no annual cap. Minimum investments typically range from $250 to $1,000 but those levels are usually reduced to as little as $25 if you sign up for an automatic investment program which deducts an amount you specify from your bank account each month or quarter.

Looking to make the most of your 529 plan? Some tips to help you from the experts at MSN Money:

• Decide how you want to invest. To select a plan, first decide what kind of asset allocation you want. Some plans only give you the option of investing in CDs. Others only have an age-based investment option, under which your portfolio allocation grows gradually more conservative as your child gets older. Which portfolio you choose should depend on your stomach for volatility and how long before your child heads to college.



Not all 529 college savings plans give you the same bang for your buck. Choose wisely.

• Check for state tax breaks. Most states will shelter gains from state taxes, but some have limited the tax benefits, while others have expanded them.

• Watch the fees. While all plans charge a mangement fee typically ranging from 0.25 percent to 0.95 percent a year, some will also sock you with an enrollment charge, an annual maintenance fee and annual expenses charged by the underlying mutual funds in your portfolio. All of that can add up to a huge bite out of your return. However, don't be seduced by low fees alone. Be sure investment options aren't too conservative.

• Consider financial aid. If you're a student, assets in a 529 plan can count against you if you seek financial aid. If the account is in a parent's name, an amount equal to up to 5.6 percent of the plan's assets will be included in the expected family contribution. If the student is the account owner, 35 percent of the plan's value would be considered the family's contribution. There are a few ways to maximize your eligibility. You could target 529 assets for your child's senior year, so you avoid ever having to count the distribution as income in the subsequent year. Or, if you have more than one child, you could keep the account in the name of your younger pre-collegiate child and transfer the assets as needed—one semester at a time—into another 529 plan for your college-aged kid.

You can learn more about saving for college by visiting CNBC on MSN Money (http://www.money.msn.com) or use the planning tools within Microsoft Money software to help you reach your college saving goals.