

## **Why the time is now to start college saving**

One of the most important gifts you can give your children is to start and maintain a college savings plan.

The fact is, no child can earn their way through college anymore, without starting their career with sizeable debt. Local colleges can easily cost \$15,000 a year for tuition, fees, room, board and books. Private colleges range from \$30,000 to \$40,000 a year for the same services, according to the College Board.

Don't wait to start saving. If you wait until your child is 15 years old, with just three years before college, you'd have to save nearly \$2,000 a month if your child plans to go to a public university and \$4,000 a month to send your child to a private school (see the calculator at [www.troweprice.com](http://www.troweprice.com)).

### **The 529 plan: a great deal**

Fortunately, parents have a relatively new and attractive option when it comes to saving for their children's education. It's called a 529 plan, named for the section of the tax code that governs it.

Here is how a 529 plan works. If you save money in the plan, all earnings on the investments are not taxed by the federal government if the money goes to pay for tuition. Earnings grow tax free, too. Some states give tax breaks if your child goes to school in that state.

If the money is used for other purposes, gains will be taxed!

The 529 plan has a lot of flexibility. You control the money, not your child. You can switch the beneficiary if your first child decides not to go to college and your second one does. There is no time limit on when the child goes to school. Generally the money has a lower rating in financial aid eligibility rules.

### **Ultimately, parents face a tradeoff**

The key question for parents saving for their children's college education is "how much?" Every dollar you put aside for your children is a dollar you are not putting aside for your own retirement.

Finding the right balance in how much to invest is a difficult but important question to answer. Any amount will help, even if it is not enough to cover all costs. You'll be sending a message to your children that you value education and expect them to help save, too.

## **Useful Sources Of Information**

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FYF 0805

NASD Review Letter Reference # FX2005-0614-0194/E

**www.collegeboard.com/parents**

How to help your child plan for and search colleges, with information on paying the costs, including a section on loans, grants and scholarships.

**www.collegeanswer.com**

This site has a section of calculators that help you figure out how much you'll be expected to pay, how to budget savings and how to plan to repay loans.

**www.collegeispossible.org**

Sponsored by the American Council on Education, this site has information on how to motivate your children to value a college education.

**Housing Factoid**

In 2004, the Consumer Price Index rose 3.6 percent. The average home price rose 11 percent.

*--Office of Federal Housing Oversight*

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