

# SAVING FOR COLLEGE

## Consider...

What's the best way to give your child or grandchild \$1.2 million dollars? Help pay for a bachelor's degree. The average college graduate will earn that much more than a high school graduate. However, paying for college can be daunting and overwhelming. Here are a few ways to help with the costs of receiving higher education.

## How Can I Save?

### A 529 Plan

Touted by many experts as the best way to save for college, a 529 offers multiple advantages. Referred to legally as "qualified tuition plans", this is one of the best-kept secrets of the financial world. There are two types of plans, prepaid and savings. In a prepaid plan, a college or group of colleges allows you to essentially lock-in to the current tuition rate on the assumption the beneficiary will be attending that school. The savings plans are a market investment managed by the state usually in the form of bonds.

#### The advantages of a 529 plan include:

- **Taxes:** While you cannot deduct your contributions on your income taxes, both the growth of the investment and the disbursement are free of federal taxes. Some states even offer their own tax incentives for residents who set up these types of accounts. Check your specific state guidelines for more information.
- **Hands-free:** Once you enroll in a 529 plan, your work is over. A state agency or private firm contracted by the program manages the account. Direct deposit is even available for some plans.
- **You're in control:** The investor calls the shots. Usually the beneficiary has no rights to these funds. You disburse the funds how and when you please.
- **Income limitations:** Unlike many other college savings plans, in most states the 529 plan has no limit on how much money you make. You can save up to \$300,000 a year tax-free. Also, other family members are free to contribute to the account. For grandparents looking to help with college expenses, this is a great alternative.

As with any investment plan, be sure to understand the plan you enroll in. Many have high fees which significantly impact your earnings. Consult with a professional to find the best plan for your needs.

#### For information on your state's guidelines, visit:

[http://www.savingforcollege.com/529\\_plan\\_details/](http://www.savingforcollege.com/529_plan_details/)



## Chicken Cordon Bleu

- 6 skinless, boneless chicken breast halves
- 6 slices Swiss cheese
- 6 slices ham
- 3 tablespoons all-purpose flour
- 1 teaspoon paprika
- 6 tablespoons butter
- 1/2 cup dry white wine
- 1 teaspoon chicken bouillon granules
- 1 tablespoon cornstarch
- 1 cup heavy whipping cream

*Pound chicken breasts if they are too thick. Place a cheese and ham slice on each breast within 1/2 inch of the edges. Fold the edges of the chicken over the filling, and secure with toothpicks. Mix the flour and paprika in a small bowl, and coat the chicken pieces.*

*Heat the butter in a large skillet over medium-high heat, and cook the chicken until browned on all sides. Add the wine and bouillon. Reduce heat to low, cover, and simmer for 30 minutes, until chicken is no longer pink and juices run clear.*

*Remove the toothpicks, and transfer the breasts to a warm platter. Blend the cornstarch with the cream in a small bowl, and whisk slowly into the skillet. Cook, stirring until thickened, and pour over the chicken. Serve warm.*



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A college education is one of the most valuable gifts you can give to a child or grandchild.

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## **A Coverdell Education Savings Account**

Formerly referred to as the education IRA, a Coverdell education savings account has many of the same tax benefits as the 529 plan. However, some investors find it worthwhile because you can use it to pay for K-12 fees at private schools, not just college or university expenses.

This plan also has a few more limits. While the payout is similar to a 529, this plan only allows a contribution of \$2,000 yearly per beneficiary. It also has much stricter income guidelines. To be able to contribute the maximum amount, a single person must make less than \$95,000 and a married couple less than \$190,000 for joint filing.

Anyone can contribute, including grandparents, but the maximum is still \$2,000 yearly for each beneficiary.

Any institution that offers traditional IRAs manages these accounts. Check with your financial planner or trusted financial institution about a Coverdell account for more specific information and guidelines.

## **Free Money for College**

Did you know that buying everyday products can give you free money for college? Upromise is a program provided for consumers that places a percentage of the money you spend on certain goods into a savings fund. You can even put it in a 529 plan!

How it works: You may have noticed in your local grocery store the tags on certain products indicating they participate in this program. However, did you know more than 40,000 retailers participate? Even some of the major retail stores join in. You can earn up to 25% back on your purchases! When buying or ordering from these stores, simply go through the Upromise website. This tracks your spending and automatically transfers money into your account. You can link that account to a 529 plan, savings plan or even an existing student loan to help pay the balance. It's a free and easy way to help pay for college expenses.

To find out more information, visit: [www.upromise.com/](http://www.upromise.com/)



## **How Much Should I Save?**

Children born today will face tuition rates 3 to 4 times what they cost today. This means you need to start saving now!

With that in mind, the general rule of thumb dictates parents (or other family members) should be able to pay one-half to two-thirds of their child's college expenses. This includes tuition, room and board, books and all the other fees that go along higher education. While this may seem unobtainable, keep this in mind:

- Saving \$50 a month from birth at a return of 7% will equal \$20,000 by age 17.
- Saving \$200 a month from birth to age 17 will give you \$80,000 at 7%.