



529 plans offer benefits for college savers

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When your friends with older kids complain about how much college costs, believe them.

In case they haven't mentioned it, a year of college costs about as much as a new car these days, a very nice car if we're talking about many of the colleges attended by Oregonians. The costs of a college education in Oregon are comparable to those elsewhere? However, college costs are rising faster than inflation, up 40 percent over the past decade.

The cost of a four-year undergraduate degree at Oregon's public universities averages \$55,000. A two-year degree at a local community college can run you up to \$21,000.

Most students will have to borrow some funds for college, but they and their families can reduce that amount through planned, and often tax-deferred, college savings accounts, including 529 plans and Coverdell Education Savings accounts (ESAs, formerly education IRAs).

One of the more popular choices today is the 529 plan, an investment operated by individual states to help families save for college related expenses. While the maximum you can contribute to 529 plans varies from \$100,000 to \$250,000, many allow you to start small, contributing as little as \$25. You can open more than one account in a student's name, although the combined contributions cannot exceed the state maximum.

There are two types of 529 plans: a prepaid tuition plan and a savings plan. A 529 prepaid tuition plan allows a family to prepay a student's future tuition and fees at today's rates, sidestepping inflation. A 529 savings plan allows families to contribute to special accounts established to pay a student's qualified higher education expenses at any eligible educational institution.

Oregon does have both types of 529 plans where you can save for college or purchase tuition credits at Oregon schools at today's prices.

529 plans offer several attractive advantages. First, your investment grows tax-free. You will, however, be hit with a 10 percent penalty for withdrawals for non-educational purposes.

529 plans can be established and funded by anyone - parents, grandparents, aunts, cousins, etc. And as the donor, you retain control of the account.

The Coverdell ESA is an investment vehicle offered through full-service banks and other financial service institutions to contributors with adjusted gross incomes of less than \$110,000 for those who file their income tax singly and \$220,000 for couples who file jointly.

An attractive feature of the Coverdell ESA is that funds can be used for educational expenses, including tuition, books, and room and board for kindergarten through high school, college, and graduate school.

The annual contribution limit for a Coverdell ESA is \$2,000, and contributions are not tax deductible. However, a Coverdell ESA can be transferred to another brokerage or mutual fund, or to a 529 plan - but with fees and penalties assessed. Additional information on this product can also be accessed by www.collegesaving.org and www.savingforcollege.com.

You can also contact National Association of State Treasurers by calling (877) 277-6496 for additional information.

All three options, the 529 Prepaid Tuition Plan, the 529 savings plan, and the Coverdell ESA can impact eligibility for financial aid, so speak with your financial advisor before opening a plan.

Students and parents have more investment options than ever, and planning puts the power of saving to work.

A financial advisor or bank education specialist can help your family sort out the advantages of these savings and investment options. They can also provide information on special savings and gifting programs for children and grandchildren.

Whether you borrow or save for college, higher education remains one of the wisest investments families can make. According to U.S. Census Bureau data, those with college degrees earn 60 percent more than high school graduates.

It is truly never too early to start planning for a child's college education, and it's well worth the effort. Your financial planner can help select and implement the college savings plan that's best for your family.

As Benjamin Franklin said, "An investment in knowledge always pays the best interest."