

# Planning for the Costs of Higher Education

Sending a child through college is a costly endeavor that requires advance planning. The average four-year public college currently runs over \$17,000 per year for tuition, fees, and room and board — and over \$38,000 for a private school. So it pays to start saving early.

There are many ways to save for college — some of them tax advantaged.

#### **Coverdell Education Savings Accounts**

These accounts allow you to contribute up to \$2,000 per year, per child; earnings accumulate tax free, and withdrawals can

be made tax free for qualified education expenses — including elementary and secondary school costs.

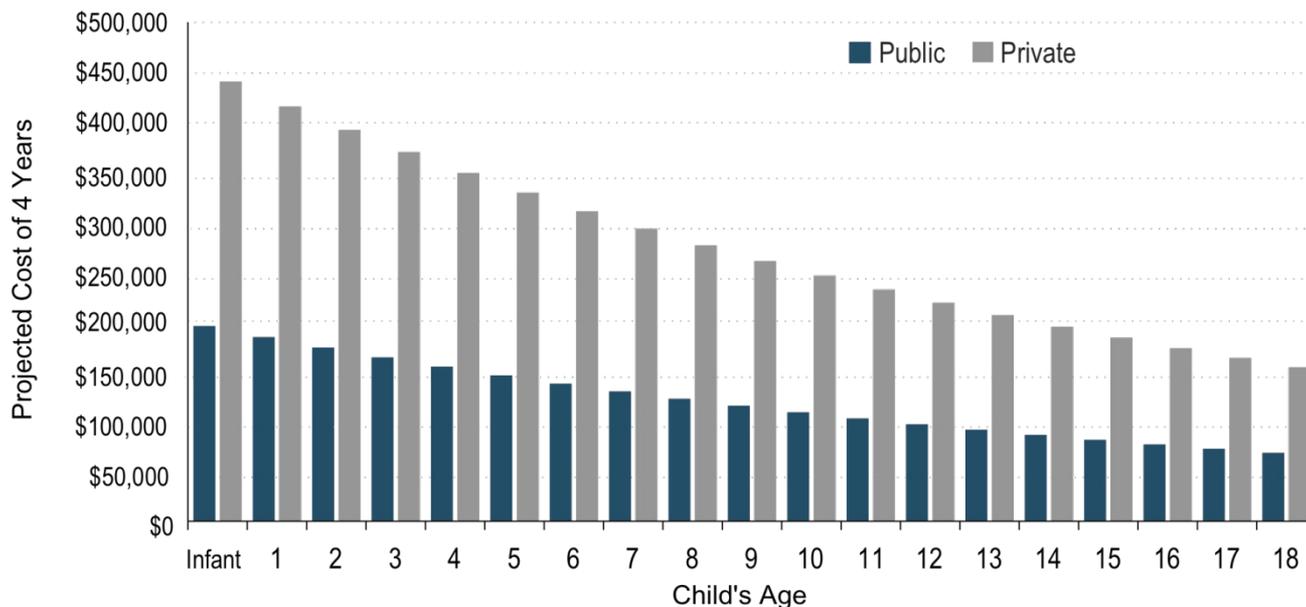
**529 Plans** These state-sponsored plans come in two forms: prepaid tuition plans that allow you to pay tomorrow's tuition at today's prices, and savings plans that let you invest your contributions. Many savings plans now have lifetime contribution limits as high as \$400,000 per beneficiary. All earnings and distributions are tax free if used for qualified higher education expenses.

By investing in a 529 plan outside of the state in which you pay taxes, you may lose the tax benefits offered by your state's plan. Additionally, tax treatment at the state level may vary.

**UTMA/UGMA** rules permit individuals to make annual gifts of up to \$13,000, gift tax free, to minors. Some earnings are taxed at the child's rate.

There are also a variety of federal and state college financial aid programs.

With college costs frequently rising at rates that exceed the general inflation rate, it pays to start saving early.



Source: S&P Capital IQ Financial Communications. Projections are based on 2011–2012 costs of \$38,589 for a four-year private college and \$17,131 for a four-year public college (in-state rate), as reported by the College Board. Assumes 6% annual cost increases. (CS000113)

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