

IDEAS FOR COLLEGE PLANNING

According to Bankrate.com, the average cost for one year at a four-year public school is more than \$16,000 today -- and a private school costs about twice that. An Ivy-league school can top out at more than \$40,000 a year. So four years of college could cost between \$64,000-\$120,000 per year!

Short Term Planning

1. Learn faster – take a full load each semester if you can and get through school. Taking courses parttime, or only taking a course load of 4 classes instead of 5, can prolong college and therefore increase expenses.
2. Start off at a community college, then transfer to that more expensive university for the last half of the degree. Your degree will have the university's name on it, not the community colleges.
3. Go to a tuition free school... but you may have to work to pay it off. Tuition-free colleges include The Cooper Union in New York; Webb Institute in Glen Cove, N.Y.; Berea College in Berea, Ky.; College of the Ozarks in Point Lookout, Mo.; and Alice Lloyd College in Pippa Passes, Ky.
4. You can also enroll in work-study, which usually means working at the school you are attending to help pay for some of the costs. You would need to talk to your school's financial aid office directly.
5. Some schools allow you to lock in the tuition you paid your freshman year. Colleges with locked-in tuition programs include Anna Maria College in Paxton, Mass.; Baylor University in Waco, Texas; Centenary College of Louisiana in Shreveport, La.; Concordia University in River Forest, Ill.; Hardin-Simmons University in Abilene, Texas; Huntington College in Huntington, Ind.; Urbana University in Urbana, Ohio; the University of Charleston in Charleston, W.Va.; and New York's Pace University.
6. Scholarships – thousands and thousands of scholarship dollars go unclaimed every year. You don't have to be a genius or of specific ethnicity. For example, one foundation gives a \$5000 scholarship for skateboarders, the requirement: that you skateboard. Many major bookstores have guides to scholarships, and you can also find them online. Try CollegeBoard.com or Sallie Mae's database, or type in "scholarships" in your search engine. Many community organizations, local service groups and business/professional associations also offer them.
7. Federal Financial Aid – Free Application for Federal Student Aid (FAFSA) – this aid takes into account your family contribution, income, how many family members are attending college, and the like. When college is over, the debt can be paid back at a very low interest rate and the repayment plans are very reasonable and affordable. Sometimes you can even defer payment until you can find a job that will provide you the income to pay for it.
8. Part-Time Work – Student's can always find work to help support themselves in college. Most college's offer student jobs right on campus if transportation is a problem, and most have many businesses right around them who are happy to employ college students and understand the schedule of a college student.

9. Home equity loan or credit lines – A second mortgage that allows you to turn equity in your home into cash, allowing you to use it for home improvements, debt consolidation, college education, etc.

10. Borrow from your Roth IRA – You may withdraw contributions to a Roth IRA for college expenses without having to pay income tax or the 10% early withdrawal penalty. Talk to your financial planner about this option.

11. Tax credits – Don't forget to tell your accountant that you are attending school at tax time. The Hope Credit is a dollar-for-dollar reduction in tax liability, worth up to \$1,500 per student, and is available to first and second year students enrolled at least half-time. The Lifetime Learning Credit is equal to 20% of a family's tuition expense, up to \$5,000, for any post-secondary education. This includes any subsequent undergrad years (subsequent being after the first and second years when the Hope Credit is available), graduate and professional schools, even when attending less than half time.

Long Term Planning

12. Birthday and Christmas money your child receives should be placed in a college savings account. They will thank you later, promise.

13. 529 Savings plans – This state sponsored savings plan is designed to help families set aside funds for future college costs. Earnings and withdrawals are tax free. A popular type of college savings plan begins with some aggressive investments and grows more conservative as the potential college student grows up. Distributions from a 529 savings plan this year should not impact a student's financial aid eligibility next year, as a tax-free 529 distribution does not have to be added back as "untaxed income." Everyone is eligible to take advantage of a 529 plan, and the amounts you can put in are substantial (over \$230,000 per beneficiary in many state plans). Generally, there are no income limitations or age restrictions. You should speak to a financial planner about this option.

14. 529 Prepaid Tuition Plans - A prepaid tuition plan lets you purchase units of tuition for any state college or university at today's prices. A semester's worth of prepaid tuition purchased at 2005 prices would pay for a semester's worth of tuition at any future date, no matter what the cost at that time. Four years of tuition purchased in 2005 would pay for four years of tuition at any in-state university starting in, say, 2015. Industrious parents could pay for four years of college while their son or daughter is still in elementary school. Prepaid tuition is considered a resource for paying for college, and therefore, unlike a savings plan, can affect financial aid eligibility. You should speak to a financial planner about this option.

15. Coverdell Education Savings (aka Education IRA) – Up to \$2,000 can be contributed annually to the account. While adults contribute to the savings plan, a child age 17 or younger is named as the account's beneficiary. The contributions aren't tax deductible, but they do grow tax free and the funds can be withdrawn tax-free as long as they are used to pay eligible schooling costs. Any adult can put money into the plan, as long as the total contributions do not exceed the \$2000. Income caps do exist (ie., if you make more than \$95,000 as an individual you may not contribute). You should speak to a financial planner about this option.

16. Bonds - You won't have to pay a penalty if you decide not to use them for your child's (or your own) education, but if you do use them to pay for school, you won't be required to pay federal income tax on the interest you earn. You can buy the bonds in different denominations from \$50 up to \$10,000. To qualify for tax exemption you have to meet certain income requirements. (Hint: this is a great gift to give kids at those special events celebrating growing up, such as communion, graduation, etc.)