

College Cost Planning Strategies

Q: What financial options are available to my family in light of the ever-escalating costs for college?

A: As a family with children, you should consider the cost of higher education well in advance of their high school graduations. Generally, the payment of higher education costs is supplemented with scholarships, loans and grants. However, initiating a viable plan when your children are young will make maximum use of your financial resources and may provide some tax benefit. Among many options, there are two educational savings vehicles that allow you to save for education on a tax-favored basis: a qualified tuition program ("529 account") and a Coverdell education savings account.

Section 529 Plans. The Tax Code allows states and some educational institutions to offer "529" plans. They allow you to either prepay or contribute to an account for paying a student's post-secondary education expenses. Distributions from state programs, including earnings, are now entirely tax-free to the extent used for qualified higher education expenses.

Coverdell education savings accounts (Coverdell ESA), also called education IRAs, are similar to IRAs. You can save today for future educational expenses, and not just higher educational expenses. The maximum annual Coverdell ESA contribution is \$2,000 per beneficiary.

In conjunction with saving for college, you should consider the impact of any investments your child owns as a result of gifts or other assets received from a relative or from family succession or estate planning. These items will also impact how much tuition assistance a college may provide and thereby impact how much you need to save.

If you would like to explore how these opportunities can work for you and have our Firm fully evaluate your situation, please call:



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