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#### National Commentary

## **Tax-free college** savings plans still the best bet

by Jeff Brown Knight-Ridder Tribune

Tax-free college investing sounds great, but how does it affect financial aid?

That, in a nutshell, summarizes several questions I've received from readers after a couple of recent columns on Section 529

The short answer: These plans can reduce a student's eligibility for aid.

But that's not a fatal flaw. After all. you're not sure how much aid you could get or how much would be in loans you'd have to pay off anyway. It's pretty risky to skimp on college savings in hopes of getting more aid.

To back up for a second, 529s allow parents, grandparents or others to invest for a student's college education while escaping federal income and capital gains tax on profits. Currently, these are state-sponsored programs, although private colleges are starting to develop them as well. Most 529s are flexible enough that withdrawals can be used at just about any public or private school anywhere.

Under the 2001 tax-cut law, withdrawals made after this Dec. 31 will be free of federal income or capital gains tax. Previously, taxes on investment gains were deferred until withdrawal, and then income tax was charged on gains at the student's rate.

The new tax rules make little, if any change, in the financial-aid implications, says Joseph F. Hurley, an accountant and author of the leading book on 529s, "The Best Way to Save for College."

Under the federal aid formula used by most schools, the two types of 529s are treated differently.

The first type, known as prepaid tuition plans, offers an opportunity to buy credit hours at current prices, protecting against future rate hikes. The aid formula considers assets in these programs to be a "resource" available to pay the student's college costs. Every dollar available through a prepaid plan, therefore, reduces the student's aid eligibility by a dollar, Hurley says.

Other 529s offer mutual fund investments that can produce larger returns if stock and bond markets do well, but you can lose money, too. Assets in these "savings-type" plans are considered the investor's -- the parents or grandparents -- rather than the student's.

This is good because the aid formula assumes that only about 6 percent of the parents' assets are available for a student's college costs each year, and it doesn't count any assets held by grandparents or others. In contrast, it assumes that all of a student's assets can be tapped over four years.

But savings-type plans can hurt aid eligibility nonetheless, because the portion of any withdrawal attributable to investment gains is counted as the student's income. Even though this money is not taxable, it reduces aid eligibility by raising the student's income.

On balance, savings plans will probably hurt the typical participant less than a prepaid plan would.

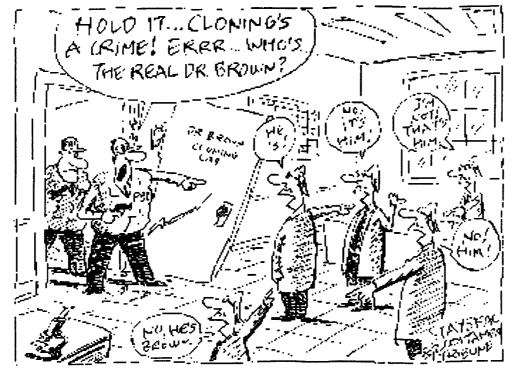
Should aid considerations keep you away from these programs? In most cases, no. Most other approaches to college saving have down sides as well.

Parents who save in ordinary taxable accounts, for instance, can face hefty tax bills when they draw money out to pay college bills, even though the financial aid impact may be small. Custodial accounts, in which parents or others manage investments in the student's name, can be easy at tax time, since income and profits are taxed at the student's rate. But as student assets, they count heavily against aid. Moreover, the student has total control of the account upon turning 18 or 21 (depending on the state).

Assets in an Education IRA are considered the student's and can have the same damaging effect on aid as a custodial account.

But the Education IRA may have one advantage over the 529, says Kal Chany, author of the book Paying for College Without Going Broke. At the end of 2010, the recent tax-cuts are scheduled to expire and the old rules will come back into effect. Education IRA withdrawals were taxexempt under the old rules, while 529 gains were taxed as income, at the student's rate.

To some extent, saving for college is a bet on whether Congress will do the right thing and make its fine new rules permanent.



# -Need to get something off of your chest?

Send letters, both positive and negative, to the editor!

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### 'The Hot Debate of The Week' Take it off!

Should a student at the University of California have been kicked off the truck team for being employed as a stripper?

Now, let it be known that I have no problem with stripping. If I had the bod I'd probably do it myself — you can make some serious cash doing the little behind shake for the menfolk.

However, take into consideration that this girl was a representative of her school. Her track team, the University of California, and the NCAA all need to recruit new students, players, and money. The fact that one of their teammates was taking her clothes off for money is not exactly a desired recruitment tool Maybe it isn't right that they do so, but that is not the argument.

And to top it off, this girl signed a code of conduct contract, which should have prevented this very situation. She violated the rules that she agreed to. End of story. Now, the guys who attended the strip club and caught her should also be held accountable under the same rules. But that doesn't make her any less guilty.

Don't think the reputation of the school is a legitimate excuse? Just remember the outcry over the sex fair at University Park earlier this semester. People argued it wasn't right that such a controversial and arguably obscene event be held with the backing of a government-funded university. Students, faculty, and administration on our own campus questioned the legitimacy of the event because of it's effects on Behrend's funding. Should that group's funding be cut to salvage our own reputation and state funding?

L. Hayes

'Rape is wrong; it's not a joke'

Leilani Rios is no different from any other student on the University of California's college campus. She attends class, participates heavily in collegiate athletics, and holds down a job. Her job as an exotic dancer may not be an admirable one, but it pays her bills. As a student who has been the first in her family to attend college, she has recently been kicked off of the school's track team because her cosch found out she was a stripper outside of school. Hey, it's only money, isn't it?

Since when is the source of a student's personal cash flow the concern of a track coach? Sometimes, overly-paid and overly-pompous collegiate athletic coaches forget that students aren't raking in big paychecks like they are. Students study, hence the term similarity. In Leilani's case, she was able to use her God-given abilities to earn decent money so she could allot time to study and participate on the track team. Personally, I believe it is a violation of her rights. Apparently she was legally hired at a legal establishment in California, so what's the problem?

The other side of the argument will say that she signed a code of conduct. This code basically says that a student athlete should represent the school in good taste outside of the campus. This may be legitimate, but how come nothing happened to the other athletic team members who were attending this strip club that first saw her performing? I suppose it's okay that they actually paid money to attend this place.

R. Wynne

Every week, two editors from the staff will debate a topic that is hot. Students, faculty and staff are encouraged to email suggestions for the hot topic. Send ideas to behrcoll2@aol.com



I was conned into taking photos of

campus. I've never been a big fan of some

Lecture Hall, take a couple photos and head

I did that. Only I stayed an hour and a

half longer than I anticipated. The speaker

that night, Katie Koestner, had my attention

from the time she began speaking, until she

ended her speech to a silenced and shocked

When I entered the lecture hall, I didn't

even know what the speech was going to be

about. I turned around and asked my news

"Something about rape" was her answer.

So I was anticipating a speech filled with

statistics and a message that I have heard

more than a handful of times in my rela-

That is not what I got. I got a lesson in

Koestner shared a story that made people

editor what the topic was for the night.

of the speakers who talk here at Behrend,

so I figured I would run up to the Reed

back to the Beacon office.

audience.

tively young life.

life that I won't ever forget.

someone who would be speaking on

Caught in the 'Spyder' Web

Two weeks ago,

**Jason Snyder** 

And it made people mad. We watched a woman relive the most painful night of her life in front of our eyes. She spoke quietly, but her message was loud and

sad. It made people confused.

"Rape is wrong; it's not a joke." She said this a couple times when her story was complete. The words really sank in. It's not a statement that was anything new to me. I knew that rape wasn't anything to joke about. And so did the people who were in attendance that night.

The problem was that the people who don't understand the seriousness of rape weren't there. They could care less if there was a woman talking about how painful and horrific the act is. Koestner was speaking to an audience who already understood her message before she shared it. But she knew what she was doing.

She told the audience that her story can only do so much and that her words weren't loud enough to reach the people that need to hear it. She asked us, particularly the men in the audience, to spread the message that "Rape is wrong; it's not a joke."

If I went to the lecture hall that night and heard a bunch of statistics about rape, my concerns probably would have ended there. Because nowhere in numbers is there the message that I can make a difference.

But one story by Koestner hit me hard. I don't remember the absolute specifics, but I remember the message. There was a man at a party one night who overheard a group of guys planning on raping a woman who was passed out drunk in the bedroom. This man sat with the woman until the night was through, protecting her from the group of "men" that had planned on raping her. When the woman was out of harm's way, this man left and never told the woman

what he had done. "No glory," are the words Koestner used to describe this man's act. It sounds like such a simple act. Simply sitting with a woman who was in harm's way. Such a small act made a huge difference in that woman's life.

This editorial is my way to spread Koestner's message that she only got to share with 50 concerned students two weeks ago.

I don't pary much. Chances are, I won't be the man sitting next to a passed out woman at the next college party that goes on at Behrend. I'm calling for the true men on this campus to keep their eyes open and their ears listening.

The statistics are enough to tell us that rape isn't beyond Behrend. Any moment of any day, a group of guys can be plotting how to help their buddy have forceful sex with a woman who can't defend herself. And if you are in that group and do nothing

you are just as guilty You are just as much of a coward and rapist. Law might not get you, but your conscience will.

For too long, we have tried to fluff up the idea of rape. We've taken it lightly. We've called victims "liars." We've believed that rape is rare and overexaggerated. We've seen leaders of cities, schools and police departments take rape accusations as a joke. Again, "rape is wrong; it's not a joke."

Mostly in the past, I have seen women, and women alone, tackle issues of rape. For the most part, it's not just the women who need to hear this message. So I ask the men who are reading this to continue the message: it's not difficult to remember and it's fairly easy to act on. Take a seat next to a woman in harm's way and take a stand against anyone who dares to cross the line.

it's time to team up against the men who Koestner said in her speech that she

If you are a true man at this college, then

dreams of a "night with no rape." She asks that across the world, people will unite to put an end to these acts.

It is wrong. It is not a joke. And now, it is your responsibility to keep this message

Snyder's column originally appeared April 13, 2001

# Here's a tip...

Seeing that a lot of us are broke college students, especially after having to pay the outrageous prices in the bookstore, I'm sure most of you have been forced to work at some point in your college careers.

We Behrend students are employed all over the city in all sorts of different jobs, while some of us work right here on campus. I'd probably be right if I guessed that many of you hate your jobs for a variety of reasons. Please feel free to pick which one is most relevant to you: a) you hate the mindlessness of your job, b) you hate the people you work with, c) you are sick of being paid minimum wage, d) you just hate work in general, e) for those of you in customer service jobs, you despise the general public whose crap you are definitely not being paid enough to put up with or, g) you are a server who is getting really sick of customers who you gave excellent or at least darn good service to tipping you practically nothing! Personally, I'd have to go with answer "g", although "e" is running a close

Now don't get me wrong, since I started serving at a local restaurant almost six months ago, I have made quite a bit of money. I have waited on

countless people who are generous, tipping far more than fifteen percent. This is a wonderful perk of being a server. But, if I may, let me talk briefly about the other

extreme.

Yes, those dandy customers who make servers mutter four letter words under their breath. Quite often, it's women (but only a particular sector, which I will get to in a moment) who are these horrendous tippers, and I know you're thinking: maybe they can't afford to. Or maybe they don't feel they should have to. Or maybe you aren't that great of a server, and you don't deserve a decent tip. I'll admit I don't always give the best or even good service because sometimes I'm just too busy. I am only one person with two hands and two legs and although I'd love to carry twelve meals out at once, while making change for table one and two and putting in five drink orders for tables five, seven, and ten, I've come to realize all this is not

What's My Point? Kim Zuck

as conscientious, quick, and personable as possible. So as you may columns

have been thinking, maybe these women can't

humanly possible. But,

overall I try to be

afford to give a decent tip. But I am referring to upper scale businesswomen with perfectly manicured fingernails, snazzy

business attire, and expensive jewelry. These women are so tight with their money it's amazing they can get their wallet open without a crowbar. They are generally nice, but really picky.

For example, they will say, "can I have my salad with no tomatoes, croutons, olives, onions, or cheese? And can I have my drink in a tall glass with just a little ice, not too much, and a water with two or three lemon wedges? Oh, yes and extra dressing for my salad, on the side, of course!" This is fine, I understand that some people do not like certain vegetables, but why not just order a bowl of lettuce and a lemon? But, I digress. So, these women get their food and drinks in a timely fashion and sometimes will gush, "Oh, you're so sweet. You're a really good server!" So, in my naïve beginnings as a server,

I would eagerly bring the bill and anticipate my big tip. But, for some reason a lot of businesswomen don't know what a big tip is (less than ten percent seems to be the only figure they know). So, for instance when I collect the bill and money from them, they will say in a sugary tone, "Oh just keep the change, you're tip's included."

As I walk away, I count the money and realize they only gave me \$40.00 on a \$37.99 check. After I catered to their every whim for over two hours, I feel like marching right back to their table and saying, "Listen here, sweetie, I've got a little tip for you. How about you take your snobby butt out of here pronto and don't come back until you learn how to calculate a decent tip!" But of course I don't. I just keep walking with a smile pasted on, quietly muttering choice words under my breath.

So, what's my point in all this? Just to plead with you to never forget what it was like to be a broke, struggling college student working a crappy job. Hopefully when we graduate we will land good jobs and be prosperous and successful in our careers. Here's a little tip for the future: no matter how far we go or who we get to know, we should never lose sight of what it means to be fair and decent to others. Most of us can testify from experience that being broke ain't no joke!