

## Tips On Paying For College

North American Precis Syndicate

Parents looking for some practical strategies and financial guidelines for covering college costs are finding them in the College Board's newly updated book entitled *Parents Guide to Paying for College* (\$14.95) by Gerald Krefetz.

The book takes parents through the maze of savings options starting with the Taxpayer Relief Act of 1997, perhaps the most significant educational assistance from Washington in a generation.

It includes two new tax credits created specifically to ease the burden of paying for college:

- *The Hope Education Tax Credit* for college tuition offers up to \$1,500 a year for the first two taxable years that a child is in college.

Because it's a tax credit, not merely a deduction, the government will in effect match you dollar for dollar for the first \$1,000 in tuition and related expenses and 50 percent of the next \$1,000 in college tuition and fees incurred in the first and second years of college.

- *The Lifetime Learning Credit* is available to parents after they're no longer eligible for the Hope Education Tax Credit.

Through 2002, it provides students with a maximum annual credit of \$1,000 per family for tuition and fees. Starting in 2003, the credit increases to \$2,000.

In addition to tax credits, *Parents Guide to Paying for College* points out there are other non-traditional ways to pay for college that parents might not know about. These include:

- *Personal Gifts* -- under the current tax code, a gift is not income and therefore has no tax consequence for the recipient. However, any amount given to one individual in excess of \$10,000 a year is subject to a gift tax.

- *Business Gifts and Leasebacks* -- as long as there is a legitimate business or investment need, there is a legitimate way of transferring equipment or items to a child's trust and leasing it back from the trust for

business use.

- *Hiring Your Child* -- the simple step of employing your child in some work capacity is perfectly legal and a deductible expense.

- *Borrowing From Your Retirement Plan* -- in many situations employees can borrow from their own retirement in the form of a loan.


According to College Board

President Gaston Caperton, "It is important for parents to get sound advice about options available for college financing including financial aid, grants, scholarships or tax advantages.

Early and long-term planning can significantly ease the burden of paying college costs."

For additional information visit the College Board web site at [www.collegeboard.org](http://www.collegeboard.org).

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