

## Family Living Focus

by  
**Robin L. Kuleck**  
McKean Co.  
Extension Agent



placed in a tax-advantaged account for two reasons. 1. Faster growth without the tax bite. 2. Penalties imposed if used for other-than-college needs.

There is no one best college savings investment vehicle. Each has advantages and disadvantages.

Avoid using regular savings accounts, which pay little interest and are subject to income taxes.

Avoid saving in the child's name. Accounts titled to the children may legally become their property at age 18 and college might be the last thing they want to do with their new found "wealth." Money titled in the child's name counts more heavily against the child in financial aid calculations as well.

Series EE U.S. Savings Bonds are one of the safest, easiest to understand, college savings tools. Again, title the bond in your name and if you wish, designate the child as beneficiary, but not as co-owner. Bonds which are used for education will be tax-free. To learn more check out [www.savingsbonds.gov](http://www.savingsbonds.gov).

Education IRA's allow you to save and invest up to \$2,000 per child (under age 18) per year with tax-free distribution if used

for IRS defined qualified educational expenses. Your family must also be at or below a certain Adjusted Gross Income level to qualify.

529 Plans allow you to save much more for college. Each state has at least one sponsored plan, but you aren't limited to using the plan your state sponsors. For more information [www.savingforcollege.com](http://www.savingforcollege.com) or [www.collegesavings.org](http://www.collegesavings.org).

Pennsylvania's 529, TAP (Tuition Assistance Program) actually has two separate components.

The Investment Plan allows you to invest in one or more investment options based on your child's age, your risk tolerance, or socially responsible criteria. While your investment is not guaranteed, it has the ability to outpace rising college costs. This option is better suited for younger children who have a longer time horizon in which to save.

The Guaranteed Savings Plan guarantees that your account value will grow with college tuition costs. In essence, you buy tomorrow's college credits at today's prices.

Last fall when Penn State tuition increased 13 percent, savers in the guaranteed plan who used the funds for tuition essentially

got a 13 percent return on their money! For additional details check the website [www.pata-p.org](http://www.pata-p.org)

Don't plan to save the full cost of college. Think of college funding as a mosaic comprised of savings, grants, loans, university-specific financial aid packages, and even work-study.

Tax benefits are possible when paying for college. The HOPE Scholarship Credit for the first two years of college, Lifetime Learning Credit, and even a deduction on student loan interest all help make college costs more affordable.

IRS "Publication 970: Tax Benefits for Higher Education" provides you with detailed information on the tax implications of various college funding tools. It is available from [www.irs.gov](http://www.irs.gov).

To learn more, request the publication Conquering College Costs (CAT-UI372), a part of the Financial Security in Life: Now and Later series from your county Cooperative Extension Office or download it from <http://pubs.cas.psu.edu/freepubs/ui372.html>.

By spending some time reading and learning about your various options, college costs can be conquered.

**Conquering College Costs**  
While a college education does not assure you of a job, statistics indicate that during a lifetime, college graduates earn in excess of a million dollars more than high school graduates.

Financing a college education is a major undertaking, something many families tend to put off until the spring of the student's high school junior year.

Families assume their smart scholar will be able to get by with grants and scholarships; relying little on family finances. Once the acceptance letter and the financial aid package arrive, you might be in for a rude awakening. Where are you going to get

the money? Especially when the maximum a student can borrow their first year is \$2,600!

If you are reading this and have grade-school and pre-school children or grandchildren, take note. The younger the child, the more options you have to save and invest for their future college education. Even if your child is in junior high, you still have options, just fewer of them.

Start by developing a savings plan. Set realistic goals. Rather than trying to save the entire \$80,000 it may take for junior to complete college, plan to use a patchwork of funding sources, including family savings.

College savings should be

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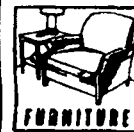
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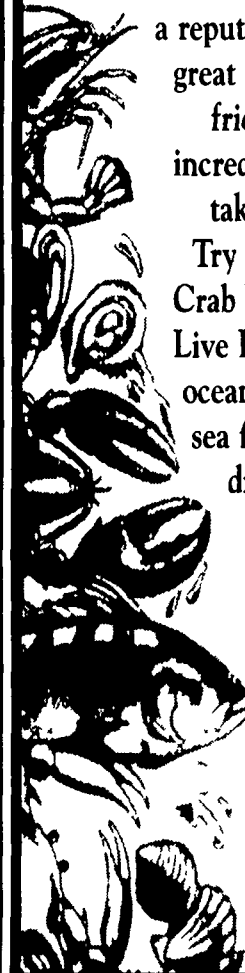
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