



Start Saving for College Now!



College tuition rates are rising at record levels. In fact, the College Board reported that the average tuition for the 2009-2010 calendar year was \$7,020 for a public four year school and \$26,273 for a private four year school with the average yearly increase anticipated to be between 4%-7%. By starting to save now, you can help ease the financial burden of paying college tuition later. Remember, the earlier you start saving, the more money you will earn in interest. Starting to save now sure beats having to come up with a large sum of money at the last minute, or having to rely solely on loans to cover costs, or not being able to attend at all!

Here are a series of plans designed to help you save for college tuition:

- **The Upromise Program:** This is the easiest way to save for college. This program allows you to save a small percentage of money each time you purchase eligible goods and services that are a part of the Upromise network. Go to www.Upromise.com for more information and to sign up.
- **529 Plans:** There are two types of plans –
 - **College Savings Plan:** This is similar to a 401k or IRA (Individual Retirement Account). Money is invested in a mutual fund or similar investment. Saving fluctuates based on your investment. Funds can be used for tuition at any accredited college.
 - **Prepaid Tuition Plan:** This locks in future tuition at current tuition rates at in-state public colleges.



All earnings withdrawn for the purpose of college costs are exempt from federal taxes for both of these plans. For more information about 529 plans visit www.CollegeBoard.com, www.savingforcollege.com or www.finaid.org or contact a 529 plan manager or financial advisor. 529 plans vary from state to state.

- **ESA (Education Savings Accounts):** Also known as Coverdell ESA. These accounts are similar to 529's in that the earnings from these investments are tax-free when used for qualified education expenses. Unlike 529's these earnings can be used for elementary and secondary school expenses as well as college. Contributions are limited to \$2,000 per calendar year.
- **EE or ISavings Bond Program:** You can purchase these bonds at your local bank or from the U.S. Treasury Department. They allow parents to save money tax-free with interest accruing and can be held for up to 30 years. It is important to note that the bonds must be purchased in the parent's name, not the child's if the bond will be redeemed to pay for qualified educational expenses. Savings Bonds make a great gift! For more information visit www.savingsbonds.gov.
- **IDA (Individual Development Accounts):** These are savings accounts especially designed to help people with low incomes. The IDA account holder typically has a choice of saving for either *buying a first home*, *starting a small business* or *post-secondary education*. The IDA offers an incentive to save by providing **matching funds**, typically dollar for dollar and in some cases 4:1, contributed by community development organizations in your state. For more information visit www.idanetwork.org. IDA's are not offered in every state.

Other ways to fund college expenses:

- ❖ **Financial Assistance:** There are different forms of financial assistance to help pay for college expenses. Unfortunately most financial aid given is in the form of loans, which you have to pay back. Contact the Financial Aid office at the school you are interested in to get more information on **Loans, Grants, Scholarships and Work-study Programs**. Visit www.ed.gov and click on grants to explore available grants and apply.
- ❖ **Reserve Officer's Training Corp.:** ROTC offers scholarships and stipends to students who commit to serve in the military. Also tuition is free at U.S. Military Academies. For more information go to www.rotc.com.
- ❖ **Tax Benefits:** While you are paying tuition for current college enrollment, you may be able to take advantage of certain tax benefits: **Hope and lifetime learning credits** or **student loan interest deductions**. For more information and eligibility requirements talk to your tax preparer.

Want to learn more? Call us for a no-cost consultation about this and other financial topics.

Toll free: 1.888.354.6332

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