

THE CONSUMER
ADVOCATE

SPRING 2006

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COLLEGE? HOW AM I GOING TO PAY FOR THAT?

As spring time approaches, many high school seniors are becoming excited about the future prospect of attending college. It is easy to join in the excitement when the financial cost of their college education does not fall onto you, but what about when *your* children prepare to go to school and the financial burden is *yours*?

It is never too early to begin saving for college and you can never save too much money to go to college. The U.S. Department of Education reported that the average cost of a four year college education at a public university is currently \$34,000 and \$90,000 for a private university. This is the current cost of a college education today, in 2006. Can you imagine what the cost will be in 10 years? These numbers speak for themselves; you need to start saving today. If you are already on a tight budget, the prospect of saving an additional \$25 each month to go toward your son's or daughter's college education can be a daunting task. Come up with an amount that you feel you can save and stick to that each month. In addition to the regular contributions you

make to your individual college savings account, there are programs available to assist you and your family to save for college costs. The Upromise program was designed to help individuals save nickels and dimes each time they do their regular grocery shopping.

The Upromise program rewards individuals for purchasing products from a variety of major companies. Each time you purchase an item from a company that participates in the Upromise program they will make a donation to an account that is required to go toward college costs. Many large international companies participate in this *give back* program. They include Exxon-Mobil, Coke-a-Cola, McDonald's and these are only a few! There are several participating retail stores, online shopping venues, and restaurants that contribute as well. To learn which companies are involved in your local area, refer to the Upromise website at www.upromise.com. Each time you purchase their product, the company will donate between 1% - 5% of the cost of their item to an account that you can use toward future college costs.

The percentage of funds donated to the Upromise program is at the discretion of each company.

The best feature of the Upromise program is that it is free and anyone can join. You do not need to have a credit card and you do not have to be the legal guardian of the child you want to help start saving for college! Anyone can simply register their grocery store savings card and each time you purchase an item from a company that contributes to the Upromise program, a deposit will be made into your Upromise account. If you are already purchasing items at the store, why not get some money back for it? To get started, visit their website at www.upromise.com.

Continuing education is advantageous for everyone; research has indicated that one's level of education is commensurate with one's level of pay. Generally the higher level of education you pursue, the more money you can potentially earn. Don't let the cost of college deter you. Prepare yourself by saving now. Today is the day to begin saving, regardless of how old your children



COLLEGE (CONT.)

are. Remember every penny counts when saving for college. These nickels and dimes will truly add up over the years and the more money you earn in your Upromise account, the less money that will have to come out of your individual savings account when a loved one attends college.

The Upromise program will probably not completely cover college costs, but there are a variety of ways to save in addition to the Upromise program.

- **IDA or Individual Development Account:** This is a specialized savings account designed to assist low income individuals save for a first home, pay for college or start a small business. To be eligible for an IDA, you must qualify for the Temporary Assistance for Needy Families or the Earned Income Tax Credit.

The IDA offers an incentive to individual's that are beginning to save for their future. In this program, you will enter into a savings plan agreement and in the agreement it will spell out a matching program. For every dollar you contribute to the savings account, up to a maximum of \$2,000, the Federal Grant Fund will match it. Generally the match is dollar for dollar, but in some cases the match can be as high as eight dollars to your one. To find out about programs in your state visit:

www.workworld.org/wwwwebhelp/individual_development_account_ida_overview.htm.

- **Education Savings Account (ESA) or Coverdell ESA :** These accounts are created exclusively for the purpose of paying for educational expenses. The earnings accumulate tax free but contributions to the account are not tax deductible. There is a maximum cash contribution of \$2,000 per year. This money must be used by the time the student reaches age 30 or the earnings will be taxed and penalties will be assessed if it is not. You can open an ESA at financial service firms and institutions.
- **529 Plans:** This is an educational savings plan operated by a state or educational institution. Every state has at least one 529 plan; consult your individual state programs to determine options and specific eligibility requirements. There are two types of 529 plans, the Prepaid Tuition Plan and the College Savings Plan.

The Prepaid Tuition Plan essentially purchases future tuition at current rates. Tuition may be purchased in one lump sum or through monthly installments. The money will then be invested by the university so that the earnings meet or exceed college tuition increases in that state. Ultimately, the prospective student pays less for their education and the university collects more money.

The College Savings Plan allows participants to save money in a special savings account that is designated for future college expenses. These plans offer a variable rate of return depending on how you invest.

- **EE Savings Bond Program:** You can purchase bonds at your local bank or from the U.S Treasury Department. These savings bonds allow parents to collect tax-free interest as long as the proceeds are used to pay for college tuition.

For more information, and to learn more about these additional saving programs, contact DCC and speak with one of our Certified Credit Counselors.

TAX TIME! WHAT TO DO WITH YOUR INCOMING FUNDS

It is tax time and Debt Counseling Corp. has some tips to keep more of your money in your wallet!

Who is going to complete your taxes? Going to an accountant or local income tax store can be extremely expensive. But did you know that the IRS (Internal Revenue Service) offers free tax preparation? They offer two programs; VITA or Volunteer Income Tax Assistance and TCE or Tax Counseling for the Elderly. To be eligible for these programs, your income for the previous year must be below \$38,000. If you qualify, a trained professional will complete your taxes for you and your electronic filing may be included as well. To find a convenient location close to you call 1.800.829.1040 or visit www.irs.gov.

If you do have your taxes prepared by local professionals, beware of *common money traps* that may be offered. After your tax professional has completed your taxes, they may give you the opportunity to instantly receive your tax returns. We strongly advise against this. This instant money is a form of cash advance; all cash advances have a high interest rate. This cash advance commonly known as a Refund Anticipated Loan or Refund Anticipated Check comes with an interest rate of between 200–500%! You would not take out a credit card with that interest rate, so don't take out these Refund Anticipated Loans or Refund Anticipated Checks. Your tax professional can file your taxes electronically and the money will be in your account in approximately two weeks. You can probably wait two weeks for this extra money, and take that time to decide what you are going to do with this unexpected cash.

Before receiving your tax returns decide what you are going to do with them immediately; do not wait until the money is in your hand. Yes, you deserve to treat yourself to dinner or a new shirt, but you can still be conservative with your purchases. Debt Counseling Corp. suggests some great ways to begin saving with this unexpected money:

- * Begin your retirement fund
- * Start an emergency bank account
- * Save for the increasing costs of college
- * Send an extra payment to DCC to pay off your debt earlier
- * Contribute to a vacation fund

All of these options will help you pave your path toward financial freedom. The time to start planning for these life events is now!

WATCH OUT FOR INCREASED MINIMUMS ON CARDS NOT ENROLLED ON DMP!

Have you opened your credit card statements lately and noticed that your minimum monthly payment has almost doubled on accounts that are not enrolled on the DMP (Debt Management Program)? If so, you are not alone!

Until recently, most credit card companies required that you pay at least \$15 or 2% of the minimum balance on your credit cards, whichever amount was higher. Now, in response to new U.S. Department of the Treasury guidelines, many creditors are increasing the monthly minimum percentage they require. The increase is at each creditor's discretion, but consumers are finding that the new typical minimum payment is between 2.5% and 5% of the balance.

If paying these new minimums is putting a strain on your budget, contact your Certified Credit Counselor to discuss the possibility of adding additional accounts to the DMP. Your interest rates may be significantly reduced, and you won't be required to pay the higher minimum payments!

CELEBRITY \$ENSE

"The easiest way for your children to learn about money is for you not to have any."
Katherine Whitehorn,
British journalist,
writer, and colum-
nist.



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A T D C C , W E ' R E H E R E T O H E L P .

Our educational mission is to teach the general public ways to reduce and control debt. We accomplish this by providing individualized, ongoing counseling, and by conducting frequent in-house seminars as well as community outreach activities. We strive to help all consumers develop the skills the need to maintain a dignified lifestyle throughout their lifetime.

DON'T FORGET ABOUT YOUR GOALS OF 2006!

Do you remember those personal or financial goals that you had set for yourself for the year of 2006? Although it may feel as if you celebrated new year's eve ages ago, it has actually only been a couple of months that have passed. For most individual's our new year's resolution or goals have been quickly passed over, but now is the time to reinvigorate the excitement of your goals that you had previously held.

Was your goal to put away money into a savings account or start a retirement fund for yourself? If you have not started to plan your goals, now is as good a time as ever! Redefine your goals if they were previously unattainable. If you could not save \$25 a month, make it a priority to save \$15 a month instead. If you could save \$25 a month, maybe you could increase your saving to \$30 a month. Share your goals with family and friends so they can support you. Do not loose site of your goals and keep going after them!