

Cash for COLLEGE

Terri and Rick Barnett of Columbus, Ohio, are patting themselves on the back these days. Fourteen years ago they started saving for their oldest daughter's college education through Ohio's prepaid tuition plan. The couple made periodic contributions and, as a result, all three of their girls, ages 16, 15 and 10, will soon reap the benefits. "It is by far the least painful way to save for college," says Terri.

Prepaid tuition programs are now available in 20 states. The programs, called 529 state college savings programs, allow investors to lock in today's tuition rates and pay out future college tuition at any accredited college or university in the U.S. That means the savings can be applied to any college or university anywhere in the country, regardless of where the beneficiary lives.

By the end of this year, all 50 states and the District of Columbia will offer additional market-based college savings plans (IRAs) that have variable rates of return.

While it's never too late to start saving for a child's education, financial advisors encourage families to start contributing to a college account monthly as soon as a child is born.

"A lot of people will never be able to save the full amount, but it's important that they save



something," says Jackie Williams, executive director of Ohio's College Advantage Savings Plan.

Will saving dampen a child's chances for financial aid? "That's a consideration, but it's not an excuse not to save," Williams responds. "Don't assume that there is an overabundance of financial aid out there, either, because there really isn't."

Like the Barnetts, families throughout the country are taking advantage of these plans, which became even more attractive with the 2002 tax year. Here's why:

- As of 2002, earnings are exempt from federal income tax when used for higher education expenses (tuition, books, room and board, supplies and equipment) at an accredited school.

Start a college savings account as soon as your child is born and contribute to it monthly, even if it's a small amount.

by the state treasurer's office or by an outside investment company.

- Investors can contribute to both an education IRA and a 529 plan for the same child.

To help you get started, contact the College Savings Plans Network at www.collegesavings.org or call 877-277-6496, or Savingforcollege.com, LLC at www.savingforcollege.com.

—Lori Murray

- Most states exempt earnings put aside for college from state income tax, and some states let families deduct the full or a partial amount of their contribution from their state income taxes.

- Unlike a custodial savings account, where a child (the beneficiary) gains access to the account when she turns 18, college accounts allow the donor to be in control. This means that after years of faithful saving, your child won't be able to blow the money by hiring a rock band to play at his graduation party.

- It's easy. Once you've enrolled and chosen the plan that's right for you, the fund is managed

Kidspeak

MY DAUGHTER'S FAVORITE TV SHOW WAS OFFERING A GIVEAWAY. VIEWERS WERE ASKED TO SEND THEIR NAME AND ADDRESS TO THE STATION. MY DAUGHTER TURNED TO ME AND SAID, "WHAT DRESS SHOULD I SEND?"

—Mary Ann McKenna, Lexington, MA

"IF I WERE ONLY THREE INCHES TALL"

"...I could sneak chocolate chip cookies from the cupboard, and I'd sleep under my bed and live in my mom's candleholder. If we had a dog, I'd juggle cookie crumbs so he'd know it was me and wouldn't think I was something to eat. But I wouldn't want to stay small forever because I'd be too tiny to get married."

—Marc, age 7



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