

search for


go

Categories

- Arts & Culture »
- Automotive »
- Business »
- Career »
- Communications »
- Computers »
- Entertainment »
- Family Concerns »
- Fashion »
- Finances »
- Food & Drinks »
- Health & Fitness »
- Hobbies & Crafts »
- Home & Garden »
- Home Based Business »
- Home Management »
- Internet »
- Kids & Teens »
- Legal »
- Marketing »
- Marriage & Wedding »
- Parenting »
- Politics & Government »
- Real Estate »
- Recreation & Sports »
- Reference & Education »
- Relationships »
- Religion & Faith »
- Science »
- Self Improvement »
- Shopping »
- Society »
- Travel & Leisure »
- Womens Interest »
- Writing & Speaking »

Category: [Articles](#) » [Finances](#) » [Personal-Finance](#)

Are You Ready for College?

Popularity: 
Views: 5
2007-09-20 10:20:04

Article by John Rothe

As the kids are back in school and summer vacation is over, now is a good time to sit down and review how to pay for the big "C". Yes, college. The cost of sending a student to a 4-year college has been rising at a rate higher than inflation. What does that mean? It means it is time to start saving—now.

Currently, the University of Virginia, will cost an out of state student \$27,750 in tuition. That number does not include room and board, at \$7,435. If that seems to be a large number now, wait until your 1 year old enrolls.

According to The College Board's "Trends in College Pricing" tuition has increased an average of 6.5% per year for the last 10 years.

At that rate, when you one year old turns 18, tuition could cost over \$80,000 per year. Fortunately, there are some options to help you start saving now:

529 Plans. Each state has there own 529 plan. Most states will give you a state tax deduction if you use your own state's plan. 529 plans come in two forms—prepaid tuition plans and college savings plans. Prepaid tuition plans allow you to buy future tuition at today's prices. College savings plans, on the other hand, offer tax benefits and a variety of investment options. Earnings grow tax-deferred, and qualified withdrawals are tax-free. Nonqualified withdrawals are subject to income tax, as well as a 10% federal income tax penalty.

Coverdell Education Savings Accounts (ESAs, formerly known as Education IRAs). You can contribute \$2,000 annually to an ESA, and funds may be used to pay for elementary and secondary education, in addition to college expenses. One major advantage of Coverdell ESAs is that if the funds are used to pay for qualified education expenses (e.g., room and board), earnings will not be taxed. Certain income limits may apply.

Series EE Savings Bonds. These types of savings bonds usually can be purchased and/or redeemed at your local bank. They are issued in denominations that are half of the bond's face value ranging from \$50 to \$10,000. For example, a \$50 bond would cost \$25. Depending on your income tax bracket, EE savings bonds may offer state and local tax-deductible interest. When used for qualified education expenses, interest may be free of state and federal taxes, as well. However, they are generally subject to federal income tax and early redemption penalties may apply if the bond is redeemed in the first five years. Another possible advantage to savings bonds is that they may be purchased by anyone for your child, for any occasion.

Uniform Gifts to Minors Act (UGMA) and Uniform Transfers to Minors Act (UTMA). UGMA and UTMA accounts are custodial accounts. You may make unlimited contributions to such accounts, and the funds may be used for whatever purchases you deem appropriate. The UGMA account is particularly useful if you are considering purchasing stocks or mutual funds for your child to help save for education. More specifically, UGMA typically authorizes the transfers of cash, bank accounts, stocks, and mutual funds to minors without the need for an attorney; an UTMA account authorizes expanded transfers, including real estate, and royalties. For both UGMA and UTMA accounts, a portion of the earnings may be tax free or taxed at the child's rate, generally a lower figure. You may make unlimited contributions to such accounts, and the funds may be used for whatever purchases you deem appropriate.

If you plan wisely, when your precious one year old enters college, you will be emotional for the right reasons.


John Rothe is President of the Rothe Financial Group, based in McLean, VA. For more information visit <http://www.therothefinancialgroup.com>

Specialized in: [Ready - College](#)

URL: <http://www.therothefinancialgroup.com>

 [Print article](#)  [Send to a friend](#)  [Bookmark this page](#)

Related Articles

[Commercial Endowment - Your Options](#) (Popularity: ): Property development is big business. The rash of TV programmes about home makeovers and renovations reflects our current obsession with property as a way to make big bucks, quickly. It may seem a failsafe way to make a killing – buy a shabby house, paint the place magnolia, add laminate flooring, and bingo!

In reality, of course, property development means a lot of hard work, and involves a certain degree of ...

[Ten Tips On How To Save Money](#) (Popularity:): Looking for some good tips on how to save money? Start with the ten listed here.

1. Save money on air conditioning. If there are only a few weeks of hot weather in your area, you may get by with just fans. You can have one blow cooler air up the stairs from the basement. You can also put a box fan in the windows on the shaded side of the ...

[How to Control Your Expenses to Eliminate Debt](#) (Popularity:): This sounds simple, but to control your expenses you first must understand what they are. The only way to be sure you know what you spend is to record everything. This is hard to do. Then you will need to do something even more difficult, Sacrifice and Live on a Budget. Ouch, all people including you and me hate those two words. But it will take sacrifice to get out of ...

[Use A Bad Credit Credit Card To Repair Past Disasters](#) (Popularity:): Use a credit card to get you out of the mess caused by credit cards? If you're trying to spiff up a damaged credit history, bad credit credit cards may hold part of the key. The trick is all in choosing the right credit card and using it wisely.

Your credit report is a listing of all sorts of information about you, including when and how you pay your bills, if ...

[Plan A Comfortable Retirement](#) (Popularity:): Retirement is not something that you think about when you are in your twenties, it is almost always a little later in life that you start to think about the day that you will retire and you start to think about what will you do than.

Naturally there are many factors that one can not plan, and it is impossible to know what the future holds, but on a certain degree ...