



Two Options on How to Pay for College

Did you know that the cost of attending college has increased at about twice the rate of inflation? Fortunately there are ways to protect yourself and the cost of your children's education from these rapid price hikes for college.

Qualified Tuition Programs (529 Plans) are programs sponsored by states that allow individuals two options to save on future college expenses

1. The first way to save is through a prepaid tuition account. This plan allows the beneficiary to receive future educational services regardless of their cost when they are provided, by making current contributions to the plan. This helps protect the beneficiary from the rapid inflation of college costs.
2. The second way to save is through a college savings account. These plans are professionally managed by investment companies to provide market rate returns that hopefully will earn more than the rate of inflation. There is a bit more risk with this account but the beneficiary can use the funds at almost any U.S. university.

So how are these programs different than simply saving for college? The differences are that the contributions grow tax free and that the distributions come out tax free as long as they are used on qualified higher educational expenses. An additional advantage is that the contributor (usually parents or grandparents) can maintain control of the funds. If one child chooses not to attend college, the funds in the account can easily be transferred to another child in the family who needs the funds for college.

529 plans offer a wonderful way to save money for college while reducing your tax burden, but they can be a little bit complicated. If you are looking for a way to save money for your child's college education please call The Ruboyianes Company and we can review your personal situation.