



## Saving for College—Today

College can seem costly, but with an early start and prudent planning, it can be reasonably affordable. Here are some options to start saving for your child’s college costs right now.

The amount you’ll need to save depends on the college your child attends and the financial aid offered to you. The trick is to start planning while your child is still young and learn about the most efficient methods to pay future college expenses. You’ll have to consider many cost components—tuition, room and board, fees, books, etc.—when planning how you’ll pay for your child’s education.

**Section 529 Prepaid Tuition Plans.** Section 529 accounts are tax-free as long as you apply distributions to qualified college costs. In state-sponsored prepaid tuition accounts, you pay in advance for tuition credits at a qualified educational institution within the state, frequently at a discounted rate. There is also a national program, the Independent 529 Plan, that applies to about 300 educational institutions throughout the country.

**Section 529 College Savings Plans.** These are investment accounts in which you control contributions that grow tax-deferred. Cash from these plans is distributed tax-free when used to cover qualified education costs, including fees, tuition, room, board, books, and supplies. The amount you accumulate for your child hinges on the plan’s returns. These plans are offered by mutual fund companies that invest the funds for your benefit.

**Coverdell Education Savings Accounts.** Coverdell plans permit you to contribute as much as \$2,000 annually. The money grows tax-deferred, and distributions for qualified education costs are tax-free. Contributions may be disallowed if your income exceeds specified limits. Coverdell accounts don’t provide tax deductions for contributions.

**Savings Bonds for Education.** The interest income from Series I and Series EE U.S. savings bonds is tax-free when you cash them in and apply the proceeds to pay for qualified educational expenses at eligible schools—schools that can receive money from federal student aid programs. This tax break is available only if your income doesn’t exceed specified thresholds. The bonds must be issued in the parent’s name(s), and you can purchase up to \$10,000 per series of savings bonds annually.

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual.

Prior to investing in a 529 Plan investors should consider whether the investor’s or designated beneficiary’s home state offers any state tax or other state benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in such state’s qualified tuition program. Withdrawals used for qualified expenses are federally tax free. Tax treatment at the state level may vary. Please consult with your tax advisor before investing.

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