

Information from Nutmeg State FCU and CFS* to help keep your financial life in balance

Consumer Sense

Rising Cost of Education

Saving for college can be an extremely daunting task, and even more so given the current economic climate. In a survey conducted by the Public Policy Institute of California, 50% of parents are worried about being able to afford college education. Even as the economy continues to wane, tuition and fees for private and public colleges are on the rise. According to a 2009 study from The College Board, families can expect to pay as much as 7.3% more than last year for this year's tuition and fees, depending on the type of college.

Fortunately, there are a variety of options available to help you invest for your children's education. The key is to know which option makes the most sense for your family's unique financial situation. There are many educational saving plans available to you. Two of the more popular are the 529 savings plan and Coverdell Education Savings Account (ESA). Both can provide tax-deferral and

complete custodial control of the named beneficiary and use of the account in many cases.

529 Plans

To begin your search, find all the information on your own states' plan. Many states offer residents state tax deductions for participating in the in-state plan. Don't automatically rule out a 529 plan if your state does not offer any tax incentives or matching credits. An out of state plan still provides tax-deferral and may still best suit your needs.

When plan funds are used to pay for qualified higher education expenses, the withdrawals are free from federal income tax. Many states allow total contributions to a 529 plan in excess of \$300,000 or more. When you own a 529 account and name your child the beneficiary, you never lose control of the money.

Coverdell Education

Coverdell ESA is a savings account

that is set up to pay the qualified education expenses of a designated beneficiary. Eligible individuals may contribute up to \$2,000 per year on behalf of a child up to age 18. Coverdell assets can be used to pay for qualified higher education expenses and also for elementary and secondary education expenses. In considering the use of a Coverdell account, keep in mind that annual income limits may apply. In addition, unlike 529 plans, states don't offer tax deductions for contributions to Coverdell accounts, so all contributions are made on an after-tax basis.

Who Can Assist Me?

Now may be a great time to visit your local credit union, and meet with a financial advisor for a financial review. To learn more about working with a financial advisor, contact your credit union!

Sources: www.irs.gov. Refer to IRS Publication 970 for specific information;

<http://www.ppic.org/main/home.asp>;

<http://www.savingforcollege.com/>;

<http://www.collegeboard.com/html/trends/>

Investors should consider investment objectives, risks and charges associated with Section 529 plans prior to investing. More information about municipal fund securities is available in the issuer's official statement which should be read carefully prior to investing. Most 529 plans are sponsored and administered by states. State benefits vary amount the states, and some offer residents additional tax benefits if they invest in their own state plan. Consult your tax adviser for more information.

Interested in Learning More?

I specialize in helping people maintain a healthy financial balance and discover smart money strategies. Call me to set an appointment to review your investment objectives, and to discuss any questions you might have. I look forward to speaking with you!

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Do you have a topic you'd like to see covered in future Wealth News newsletters? Email your questions and comments to me at: smarks@nutmegstatefcu.org.