

## Wondering How To Pay For College? FIRST, DON'T PANIC

(NAPS)-The first thing any parent hoping to send their child to college should do is not let the latest news headlines panic them. Sure, the federal government now faces what might kindly be called a "cash crunch," but assuming you were counting on Washington for financial aid, that mostly means you need to stay more alert than ever to any changes in programs meant to encourage higher education. And especially if your child is still young. . .well, remember the main thing you've got on your side is time.



Saving for college can begin with relatively small amounts of money.

"Saving for college is, at its best, a long-term endeavor," notes Carey Foran Hoch, general manager of John Hancock College Savings. "It often can begin or be maintained with relatively small amounts of money, and there's little reason to wait until the financial turbulence is over."

So what should be done now? Experts say step No. 1 is to sit down and estimate tuition costs at the time your child will likely be starting college. (To give you some idea what's in store, the current average for tuition and room-and-board expenses at public universities is \$14,333 per year for in-state students and \$25,200 for those out-of-state, according to College Board data. Private university costs average an even higher \$34,132 annually.) Calculators on Web sites like Savingforcollege.com and John Hancock Freedom 529.com make such projections relatively simple by letting you fill in the answers to questions like public vs. private and two years vs. four years.

Once you've got a ballpark figure, again, don't panic, think about which funding sources can be tapped to cover it. Basically, there are only five options:

- Personal savings
- Financial aid, like scholarships and grants, that needn't be repaid
- Financial aid that does need to be repaid (i.e., federal and personal loans)
- The student's own contribution
- Other contributions from, say, grandparents. Except for the first one (and possibly the fourth), you've got little to no control.

Personal savings, of course, can take many different forms, Coverdell education savings accounts, 529 savings plans, taxable investment accounts, Series EE and Series I savings bonds, and UGMA/UTMA accounts, and what works for one family may not work for another.

But say you'd like to at least have the option of socking away as much as \$300,000, per beneficiary, depending on the state you live in. Not only does a 529 plan allow you to do that, but the tax benefits can be extremely attractive: Growth in its underlying portfolio of funds is tax-deferred, and there's no federal tax on any distributions used for qualified education expenses like tuition, fees, books, and room and board. (State tax treatment varies.)

What's more, with many investors having lately discovered their tolerance for risk isn't as great as they thought, 529s let you select, or not select an age based portfolio that automatically becomes more conservative as the beneficiary nears college age.

"Even if you choose an investment option that doesn't automatically adjust," says Hoch, "you might want to move to a conservative portfolio one to two years before your child enters college. That should increase your ability to protect what you've saved in the event of a downturn."

Which brings us to the fourth "possible" option on any funding list.

That's right, the student's own contribution.

Whether out of financial necessity or an effort to instill a sense of personal responsibility, experts say they've noticed a marked increase in the number of parents either encouraging or expecting their child to kick in for their college costs.

And really, when you think about it, it makes perfect sense. If you agree that the initial commitment parents make to saving for college demonstrates the value of an education to children, these same experts ask, then shouldn't having children share the financial burden deepen their commitment to learning?

You can put that question on a different list of things to ponder.

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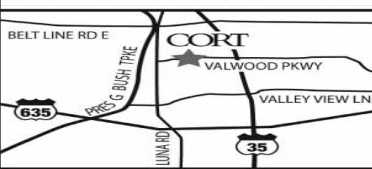
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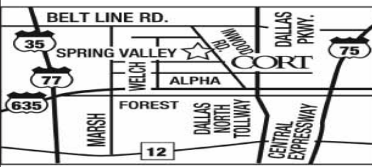
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