

## **Are you Prepared for your Children's College Education? Things to Know! Provided By: Susan Davis, CMPS @ MCS Mortgage Company**

### **WHAT WOULDN'T YOU DO FOR YOUR CHILD?**

You'd do anything for your child. And you want your child to have the brightest future imaginable. You probably also know that a college education is more important than ever for a successful financial future. The income disparity between college grads and non-college grads continues to grow, and many jobs that do not require a college education have gone overseas or been replaced by a computer or machine. But it's not cheap - college costs generally inflate at twice the rate of all the other goods and services we pay for.

### **So what can you do now, to ensure your child has that important college education?**

The very best idea is to start saving early, while your children are still young. And as your trusted Mortgage Planner, I can help you look at strategies that will help get that college account kick-started or even completely funded right away. Saving for it may seem overwhelming...yet it doesn't need to be. Here's a game plan to help make sure your college savings plans are right on track.

First, talk with a qualified financial planner about a 529 college savings plan - I would be happy to make a referral if you do not have a great financial planner that you work with presently. 529 plans are offered in most states, allow for gifts from parents and grandparents, and the money invested grows tax-free until withdrawn. When the time comes to start making withdrawals for college, the growth is then taxed to the student, not to you, the investor - and the benefit is that the student will likely have a much lower tax bracket than you. And here's an interesting idea - when researching 529 plans, be sure to ask your financial planner about investing funds in other states 529 plans. Shop around, as many states provide higher yields - and even if the money is invested in another state's 529 plan, it does not limit where the child can go to college. These accounts can be used to fund any accredited college and most likely, even a graduate school.

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Another creative idea is a "pre-paid tuition" plan. Pre-paid tuition plans allow individuals to lock in future college costs at today's prices and are designed to increase in value at the same rate as tuition inflation. For example, if a parent wanted to invest in a newborn's

college fund today and pre-pay the entire cost based on today's cost, the fund is guaranteed to cover the cost of college 18 years from now when the child is ready for college. Or if the investment is enough to cover only half of the education, the fund guarantees to cover half of the tuition costs at that time. The plan does have some restrictions, so be sure to research this option carefully with your financial planner before making the investment.

Student loans are also an option, but watch carefully what rates you are paying and shop around. Student loans can be very costly and many have limits as to what a child or parent can borrow. For example, a Stafford loan will only lend a maximum loan amount of \$3,500 to a freshman and \$5,500 to a senior...but with the average public in state college costing nearly \$13,000 per year, the difference may have to come from a private loan, these rates can range from 7.25% - 18.00%. A far better alternative may be a home equity line of credit, or even a refinance of your first mortgage. The interest rate will likely be cheaper, and may even be tax deductible. Even with the recent climb in interest rates; exploring your options is important to ensure you are making the best financial decision for your child's education.

For more information about the above options simply explore the following link: [www.savingforcollege.com](http://www.savingforcollege.com) - and if you want to discuss planning for college further, please contact me. We'll look at your situation, decide if a mortgage strategy could work for you, and consult with a great Financial Planner to help put all the pieces together.