



# COLLEGE PLANNING



## Investing In Your Child's College Education

(NAPSA)—A growing number of families are turning to a tax-advantaged investment plan intended to help meet the rising costs of a college education.

Called a 529 plan, its purpose is to encourage early and consistent saving for the future higher education expenses of a designated beneficiary, typically one's child or grandchild.

The plans are named after Section 529 of the Internal Revenue Code and are administered by state agencies. More than \$112 billion is currently invested in 529 plans around the country.

There are two kinds of 529 plans for families to consider: prepaid and savings. Prepaid plans—sometimes called guaranteed savings plans—are currently offered in 13 states and allow for the pre-purchase of tuition, based on today's rates then paid out at the future cost when the beneficiary is in college.

Savings plans are different in that account earnings are based on the market performance of the underlying investments, which typically consist of mutual funds. Also, savings plans may be used to pay for other college expenses—not just tuition. Forty-eight states and Washington, D.C. offer a savings plan.

Most 529 savings plans provide a variety of age-based investment options in which the underlying investments become more conservative as the beneficiary gets closer to college age.

According to Jackie Williams, chair of the College Savings Plans Network (CSPN), a nonprofit



**529 plans help a growing number of parents invest in their child's education.**

association of state-administered 529 plans, "529 plans are designed to make it easy and affordable for parents to save for college in a tax-advantaged way."

For example:

- Thirty-one states and Washington, D.C. offer a state income-tax deduction or credit based on contributions;

- Plan earnings can be used at virtually any accredited college or university in the country;

- All money grows federal and state income tax-free;

- All withdrawals used for qualified higher education expenses are exempt from federal and state income tax;

- The account holder retains control of the assets within the program regardless of the beneficiary's age.

To learn more about the benefits of a 529 plan and to compare plans around the country, visit CSPN online at [www.CollegeSavings.org](http://www.CollegeSavings.org).