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community · culture · lifestyle

[Home](#) [This Issue](#) [Online Exclusives](#) [Calendar](#) [Corporate](#)

Saving for College - Know your options

BY AMY KANYUK, McDONALD AND KANYUK, LLC, CONCORD



By 2020, the cost of a degree from a four-year private college is expected to exceed \$230,000, and a public school degree will set you back about half that amount. To deal with these heart-stopping numbers, you need to develop workable a plan for financing your child's higher education. The sooner you start saving, the more funds you'll accumulate, and the less you'll need to borrow. The Internet has a wide variety of tuition calculators to help you determine how much you'll need to save. A good one can be found at www.salliemae.com/save. This article will explore five popular ways to save: 529 plans, Coverdell savings accounts, "Crummey" trusts, custodial accounts, and savings bonds. No one savings method fits every family, so you should consult with your financial advisor about which ones are best for you, based on your tax bracket, your child's age, and other factors. Remember, though, that it's important to balance saving for college with your other financial goals. Your kids can get student loans, but you can't get a retirement loan.

529 Savings Plans are operated by each state to help families save for future college expenses. You can invest in any state's plan, so shop around to find which one has the best returns and investment options, and the lowest fees. A good place to find information is www.savingforcollege.com. 529 plans invest contributions in mutual funds and provide a

great tax break—any appreciation on the money you invest won't be taxed by the federal government, or New Hampshire, as long as the money is used for the beneficiary's higher education expenses, such as tuition, room and board. You can invest in a 529 plan directly through the state's plan manager, or through a financial advisor. Using a financial advisor will cost more than opening the account directly yourself, but you'll receive guidance and advice that may make the process of selecting a plan easier. You can retain complete control over the money you contribute; the beneficiary has no right to the assets. You can even change the beneficiary or, with a penalty, reclaim the money for yourself.

529 Prepaid Plans allow you to lock in future tuition costs at state colleges and universities by paying a lump sum or making payments. Most prepaid plans are designed to be used at in-state public schools, and not every state offers a plan (New Hampshire does not). The Independent 529 Plan is the first private college-sponsored prepaid 529 plan, in which about 300 private colleges currently participate. For more information, go to www.independent529plan.org.

Coverdell Education Savings Accounts allow you to contribute up to \$2,000 per year per beneficiary, although your income level may affect how much you can contribute. Any appreciation on the money you invest won't be federally taxed as long as the money is used for the beneficiary's education expenses. Funds in a Coverdell ESA can be used for elementary and secondary education expenses, as well as college costs. You control the assets and determine how they're invested, and can change the beneficiary. For more information, go to www.irs.gov, and look for Publication 970.

Crummey trusts are irrevocable trusts set up privately by individuals, and can hold any type of asset. Although Crummey trusts don't have the tax benefits of 529 plans or Coverdell ESAs, and do require a little more care and feeding, they offer one big advantage over those options - total control over how, when and to whom the trust assets are distributed. Distributions can be made for any reason, not just education expenses. A Crummey trust can have multiple beneficiaries, and the trustee can "sprinkle" distributions among any or all of the beneficiaries in its discretion. This provides flexibility to make distributions in accordance with need. You'll need a lawyer to set up a Crummey trust, and, since you can't serve as trustee, you'll need to find someone to manage the trust, such as a professional trustee or a family member.

Custodial accounts are funded for the benefit of a child. A custodian, usually the parent, manages the assets for the child's benefit. Custodial accounts, sometimes called UTMA accounts in New Hampshire, can hold any type of asset, but can have only one beneficiary. Although custodial accounts are very simple to set up at a bank or brokerage, they have two major disadvantages over the other options - they may limit the amount of financial aid available to the child, and the child must receive all of the assets outright when he reaches the age of 18 or 21, depending on the state (in New Hampshire, it's 21).

United States Savings Bonds provide a low-risk way to way to save for college, since the bonds are backed by the federal government. Interest earned on Series EE and I bonds is federal and state tax-free when the bonds are redeemed to pay for qualified education expenses, as long as your income doesn't exceed certain limits. You also may be able to roll Series EE and I bonds into a 529 plan. For more information, visit www.treasurydirect.gov

In today's economy, saving for college may be challenging. But if higher education is a priority for your family, finding ways to put some money away regularly, starting when your kids are young, will make a big difference down the road.

New Hampshire Higher Education Costs

BY CHRISTOPHER DORNIN

A New Hampshire student can pay as little as \$5,000 a year for an associate's degree at Lebanon College in Claremont, \$50,000 a year at Dartmouth in Hanover, or just about any price in between. Here's a comparison of the costs a college can bill you, in the unlikely event you get no financial aid. The data all comes from institutional websites or from interviews with college administrators. The figures are for a typical freshman and do not include items like special lab fees, room deposits, transportation costs, books and supplies, or spending money.

Residential programs

(PRICE INCLUDES ROOM AND BOARD)

Institution	Town	Cost \$	Type	Top Degree
Chester College of N.E.	Chester	25,890	Private 4-year	BA
Colby-Sawyer College	New London	41,950	Private 4-year	BA
Daniel Webster College	Nashua	38,562	Private 4-year+	MBA
Dartmouth College	Hanover	49,974	Private 4-year+	PhD
Franklin Pierce University	Rindge	38,500	Private 4-year+	PhD
Franklin Pierce Law	Concord	48,230	Private 3-year	LLD
Hesser College	Manchester	22,440	For-profit, 4-year	BA
Keene State College	Keene	17,508	Public 4-year	BA
Magdalene College	Warner	21,300	Private 4-year	BA
New England College	Henniker	37,356	Private 4-year+	MA
NH Institute of Art	Manchester	23,180	Private 4-year	BFA
NH Technical Institute	Concord	14,014	Public 2-year	Assoc
Plymouth State University	Plymouth	17,374	Public 4-year+	MA
Rivier College	Nashua	32,644	Private 4-year+	MA
Saint Anselm College	Goffstown	41,755	Private 4-year	BA
Southern NH University	Manchester	36,618	Private 4-year+	PhD
Thomas More College	Merrimack	25,200	Private 4-year	BA
University of NH	Durham	21,617	Public 4-year+	PhD

Nonresidential programs

(TUITION ONLY)

Institution	Town	Cost \$	Type	Top Degree
Granite State College	Concord	7,270	Public 4-year	BA
Great Bay Comm. College	Portsmouth	5,640	Public 2-year	Assoc
Hesser College	Concord	10,648	For-profit 4-year	BA
Lakes Region Comm. Coll.	Laconia	5,640	Public 2-year	Assoc
Lebanon College	Lebanon	5,000	Private 2-year	Assoc
Manchester Comm. College	Manchester	5,670	Public 2-year	Assoc
Nashua Comm. College	Nashua	6,060	Public 2-year	Assoc
NH Tech. Inst. (commuters)	Concord	6,090	Public 2-year	Assoc
River Valley Comm. College	Claremont	5,640	Public 2-year	Assoc
UNH Manchester	Manchester	9,780	Public 4-year	PhD
White Mts. Comm. College	Berlin	6,000	Public 2-year	Assoc

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