

Saving for Higher Education? No Better Time to Start Than Now

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By Lisa Santo



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Signs of fall are in the air. Cooler nights, changing leaves and the ubiquitous presence of long, yellow mass transportation vehicles filled with students returning to school.

Although the school bus may be the most obvious sign of the changing season, it is after all, transportation for many elementary and secondary school students. While we may cover the cost of elementary and secondary education through taxes and other means, have you given any thought lately to college?

If you have children, or plan to, and hope to see them pursue higher education, it can be a good idea to start thinking about how to finance that education. In fact, you might consider making your first deposit into an education savings account early on, perhaps even the day your child is born, in order to make a significant contribution when today's newborn becomes a college freshman.

Though there may be funding options available for qualified students, the sources that exist to support education today may be different in a decade, or even in the next two years.

Take for instance Perkins loans, the nation's oldest student loan program, which began in 1958. It briefly expired last September, but was revived for two more years after Congress approved a streamlined version in December. New applicants for the program now qualify only if they've already exhausted all other options for borrowing, and it will no longer be available for graduate students.

While the proposed changes to the loan program were the subject of congressional debate, it has not provided funding for the program in about a dozen years. In some cases, schools that want to

continue offering the loans have been using funds from students who had repaid their Perkins loans, which is a shrinking source of revenue.

One of the most popular sources of college funding is the Pell Grant, which is different than programs such as Perkins loans in that it does not require repayment. The maximum amount available for the 2016-17 award year (July 1, 2016, to June 30, 2017) is \$5,815. However, the amount awarded to each eligible student depends on financial need, cost, status as either a full- or part-time student and whether the student will be in school for the full academic year.

Knowledge of the myriad programs available to help assist with college costs is essential. However, for couples planning on having children or who already have started a family, talk about the current status of grant and loan programs is, well, academic. We can't be sure what college costs will be in 18 years, or even 10 years, nor do we know what funding options will be available.

The best bet is to start saving now and do it in a way that will allow you to benefit from tax advantages. One option is a 529 Plan, which is a type of education savings plan that has been in place since 1996. Such plans – and they can differ from state to state – are operated by a state or educational institution.

The 529 plans can be used to help cover the cost of qualified colleges nationwide. For most plans, a student's choice of school is not affected by the state where the 529 savings plan was opened. However, it is important to check on the variations in each state's plan to be sure it meets your needs. In addition, 529 plans often are attractive because other family members, such as grandparents, can contribute to them as well.

There are numerous equations for what a college education will cost two decades from now, including a variety of unknown factors, from how state and federal governments may tackle the issue of rising student debt to how educational institutions will address their increasing costs. For that reason, it is important to consider the other options that exist to set up accounts for college costs. It may be worthwhile to review them with professionals who can assist with your financial, legal and tax issues.

Primarily, the issue comes down to timeliness. It is never too early to start saving for college, but hesitation can certainly make it too late.

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