

## Tuition Education

### Five things you didn't know about saving for college

By Joseph Matthews



Photograph: Devonyu/istockphoto

Congratulations, you just had a baby! It's time to plan for college. Financial experts estimate that for children born in 2015, college will cost *more than half a million dollars*.<sup>[1]</sup> And that does not include fraternity or sorority fees, travel expenses, or college spirit-wear.

1. Consider the U.S. Treasury Department's Education Savings Bond Program. It allows interest earned to be completely or partially excluded from Federal income tax in most cases. When the

bonds are redeemed, the funds must be used to pay tuition and fees the same calendar year.<sup>[2]</sup>

2. Prepaid Tuition Plans are state-sponsored college savings plans that allow you to buy tuition units. If you buy units for one semester (or quarter) now, the units will still pay for one semester (or quarter) when your child goes to college.<sup>[3]</sup> Previously, these plans locked you into state schools but with the advent of the 529 plans, there's more flexibility.
3. Another option is opening a brokerage account and utilizing Dollar Averaging, where you invest the same amount of money every week or month regardless of the activity of the stock market. This results in being able to take advantage of low stock prices during periods of decline as you are continuously investing in securities regardless of fluctuating stock prices. Of course, this strategy does not assure a profit or protect against loss in declining markets. If the child doesn't go to college or gets a full scholarship, you still may have grown a nice nest egg for retirement.<sup>[4]</sup>

And, when you get a little closer:

4. Most parents know they must fill out the FAFSA<sup>[5]</sup>, or Free Application for Federal Student Aid, for each year of college. Many don't know that even if they are only offered loans the first year, they should reapply the next. Financial aid formulas are complex; nuances in calculations can change over time to impact aid eligibility. Submit as close to the beginning of the year as possible, to be one of the first to receive money during the financial aid application season.
5. You can negotiate your financial aid package, particularly if you have a "desirable" student the college wants. Circulate your completed FAFSA to several schools; colleges can see who is receiving it, and may be prompted to offer a better deal.

Just about everyone can find a way to pay. If you apply soon enough, there will be enough aid for everyone who needs it.

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[1] <http://www.forbes.com/sites/troyonink/2015/06/30/in-18-years-a-forbes-top-college-will-cost-you-over-500000/>

[2] <https://www.treasurydirect.gov/forms/savpdp0051.pdf>

[3] <http://www.finra.org/investors/529-prepaid-tuition-plans>

[4] <http://www.wsj.com/articles/SB10001424052748704835504576060023852357178>

[5] <https://fafsa.ed.gov/help.htm>