

## Start Planning Today for your Child's College Education

Whether a college education is a distant dream you hold for a newborn child or a financial imperative staring you in the face, as a parent you want to be prepared for your children's needs. Next to retirement planning, paying for your children's education could be the largest expense that your family will bear.

The rise in education costs has outpaced our nation's overall inflation rate by significant margins over the last several decades. In fact, during any 17-year period from 1958 to 2001, the average annual tuition inflation rate was between 6% and 9%, ranging from 1.2 to 2.1 times general inflation.<sup>1</sup> With tuition increasing about 8% per year, that means the cost of college doubles every nine years.<sup>2</sup>

Today, the four-year price tag for many private colleges is well over \$100,000, but according to the College Board, by the year 2020, the cost of a four-year education could be over \$250,000 for a private school and almost \$125,000 for a public school.

The good news is that it's possible to accumulate the money for a college education without great financial sacrifice — if you start investing early. Being prepared to send a child to college can be achieved by focusing on three key activities:

- **Setting goals** — Consider issues such as the number of years your child has until college, the type of school you envision him/her attending, and your prospects for financial aid.
- **Investing regularly** — Regular investing, often referred to as dollar cost averaging, is a strategy widely endorsed by many financial experts to help smooth the effects of market fluctuations.
- **Investing sensibly** — Sound advice can help you to make appropriate decisions based on your goals, risk tolerance, and the time you have before the first tuition payment is due.

When it comes to setting goals, a simple meeting with a financial consultant can help you gain a clearer picture of the possibilities, making it easier to set realistic objectives and actually get started. In terms of investing regularly and sensibly, a 529 College Savings plan may well be an option you and your financial consultant want to consider.

529 plans offer a number of benefits, including:

- Tax-free growth – earnings grow tax-deferred and distributions for qualified education expenses are federal income tax-free

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<sup>1</sup> [www.finaid.org](http://www.finaid.org)

<sup>2</sup> [www.finaid.org](http://www.finaid.org)

\* Such a plan involves continuous investment in securities regardless of fluctuation in price levels of such securities. An investor should consider their ability to continue purchasing through periods of low price levels. Such a plan does not assure a profit and does not protect against loss in declining markets.

- Donor control – the donor stays in control of the account because the child has no rights to the funds
- High contribution limits – up to the level of the anticipated cost of a beneficiary's qualified education expenses
- Estate tax benefits – qualifies for the \$12,000 per year annual gift tax exclusion

Regardless the course of action you and your financial consultant determine is best for you, planning early is one of the most important things you can do to help ensure the funds are there when you need them. Talk with your financial consultant today to start turning your dreams for your children's or grandchildren's future into a reality.

*By investing in a 529 plan outside of the state in which you pay taxes, you may lose tax benefits offered by the state's plan. Withdrawals used for qualified expenses are federally tax free. Tax treatment at the state level may vary.*

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