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## Plan well to pay for college

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**According to the College Board, four years of tuition and room and board runs about \$90,000 for a private college and \$34,000 for a public institution. Eighteen years from now, those figures are projected to rise to \$235,000 and \$100,000.**

Don't panic. You can use a 529 plan to channel a significant chunk of money into a child's college savings account, while receiving the benefit of professional investment management. And earnings and withdrawals will be tax-free as long as the money is used to pay qualified higher education expenses - including room, board, books and fees.

The mechanics of 529 plans differ slightly from state to state, but in general here's how to get started on a savings plan:

Choose a plan. Begin with your own state's plan because you could qualify for a grant, scholarship, tax deduction for your contributions or tax break on withdrawals. If it doesn't offer enough benefits to make its plan an automatic choice, look around. Many states allow nonresidents to open accounts. The plan should offer solid investment choices and be managed by a nationally recognized investment company. Plans often allow either investment in their portfolios or direct investment into the mutual funds they use in the portfolios. Costs are also a consideration. Be sure to ask about expense ratios and other fees.

Open an account. Most plans allow contributions as low as \$25 a month. Maximum contribution limits vary from state to state, ranging between \$100,000 and \$300,000. You can have more than one account in a child's name, but your total lifetime contributions to all of the accounts cannot exceed the state maximum.

Select an investment option. Most 529 plans are built around age-based portfolios. They weight investments more aggressively for children in their early years and become more conservative as the college deadline approaches. You can even roll over from one plan to another if you have a change of heart about your investment choice. Contribute regularly and encourage others to add to your child's savings. You can deposit up to \$55,000 in one lump sum (\$110,000 for a couple) to any child's account without triggering a federal gift tax. A maximum contribution counts against an individual's \$10,000 annual gift exclusion for five years. When your child enters college, you can begin withdrawing money to pay for tuition at any accredited degree-granting school. Because the money is yours you can withdraw the balance and pay tax on the earnings plus a 10-percent penalty.

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