

Saving For a Child's Education

The time to start investing for your child's college education is now. The later you start, the more difficult it may be. Even if you are starting later than you would like, there are ways to make paying for college easier. First, identify and define the goal. To do that, think about what type of college or university your child may go to – public, in-state, private, junior or community college, or a combination. How long will your child attend – two years, four year? What expenses do you plan on covering? Answering these questions will help determine the amount you want to personally save for your children's education.

Next, make the decision to save. Then, do some research to find out what sources of college funding are available and how to maximize your savings.

Savings and Investment Options for College

There are specific types of savings and investment accounts specifically designed for college funding, including Coverdell Education Savings Accounts and Section 529 Qualified State Tuition Plans.

Coverdell Education Savings Accounts (ESAs) are accounts opened specifically to save for higher education. Contributions can grow tax free, and withdrawals are federal tax free if used for educational purposes. Anyone can contribute to an ESA for a child. There are, however, some key restrictions.

Tax laws for 2010 allow no more than \$2,000 in contributions for a single beneficiary each year and money can only be contributed between kindergarten and twelfth grade. While withdrawals are tax-free when made for educational expenses, the contributions are not tax-deductible. It is important to note that an ESA is considered an asset of the child and can reduce the amount of federal aid a child may be able to receive. There are also income restrictions for contributing to ESAs. Contributions become reduced once the contributor's modified adjusted gross income reaches a limit of \$95,000 (single filers) and \$190,000 annually for married joint return filers. Contributions are not allowed for those with household incomes over \$110,000 for single filers and \$220,000 for married joint return filers.

It's worth noting that contributions are considered completed gifts and are removed from the contributor's estate for estate tax purposes and that could be an incentive for family members to contribute.

Section 529 plans allow for saving through a special state education program for the sole purpose of paying for a beneficiary's higher education costs at accredited institutions. Some states allow very large contributions, up to \$250,000, and, unlike Coverdell Savings Accounts, there are no income limits. Some states may allow state tax deductions for contributions for residents of that state. However, by investing in a plan outside your state of residence, you may lose any state tax benefits. Make sure you understand your state tax laws to get the most from your plan. Under current law, both growth and withdrawals are federal tax free. But, non-qualified withdrawals are subject to federal and state income tax and a 10 percent penalty.

529 plans offer a high degree of choice, flexibility and control. Funds can be used at accredited institutions other than a four-year college or university, such as community college or a trade

school. The funds in a 529 plan can also be used for graduate school and they may be redirected to other beneficiaries, siblings or first cousins, without setting up a whole new account. It is important to note that 529 Plans, like any investment, are subject to fluctuation in value and market risk, including loss of principal.

Investment Considerations and Other Sources of Funding

When deciding what investment options to consider, be sure to first assess your risk tolerance. If you have a higher risk tolerance and are starting to invest when your children are younger, consider an investing strategy that is fairly aggressive. This gives you the opportunity for greater gains. As your children get older, you can switch to more conservative options as the time to enter college draws near. If your child is older, you may want to look at more conservative, income-oriented investments. Whatever your time horizon or risk tolerance, diversification should be considered throughout the entire investing process. A diversified asset allocation can help your investments better withstand market volatility. Diversification does not assure a profit, nor does it protect against loss in declining markets.

Grants, loans, gifts and scholarships are non-investment sources for college funding. These options can complement your savings and investments and should be considered as part of your college savings strategy.

The high cost of a college education is unquestionable, but the cost of not having one can be even greater. Don't be discouraged. Even if you may not be able to pay for everything, you will probably be able to provide for at least a portion of the expense. Talk to your financial professional about incorporating college funding into your overall financial strategy.

###

Investors should consider the investment objectives, risks, charges, and expenses of 529 plans carefully before purchasing. More information about 529 plans can be found in the issuer's official statement, which can be obtained from your financial professional. Please read the official statement carefully before investing.

529 plans are subject to enrollment, maintenance, administration/management fees and expenses. 529 plans are subject to fluctuation in value, including loss of principal.

AXA Equitable Life Insurance Company (NY, NY) and its affiliates do not provide tax or legal advice.

Kaplan Financial Group

Kaplan Financial Group
6550 Rock Spring Dr., Suite 340
Bethesda, MD 20817

This article is provided by Candace G. Kaplan. Candace G. Kaplan offers securities through AXA Advisors, LLC (member FINRA, SIPC) and offers annuity and insurance products through an insurance brokerage, AXA Network, LLC and its subsidiaries. AXA Advisors and AXA

Network are affiliated companies. Kaplan Financial Group is not owned or operated by AXA Advisors or AXA Network.

GE – 51876