

If You Think Being a Parent is Boring.....

..... try this little exercise. Go online, search for college calculators, enter your child's date of birth, sit back, and wait for the adrenaline rush. At current rate increases, a Kindergartner will be paying six figures for public college-private is too scary to even think about. As your thoughts of your child at a private New England all women's college are being replaced with her attending an ugly SUNY school-after two years at the community college, here are some ideas:

If your child is currently 17, you probably should go with plan A-not retiring until you are 85. Take out lots of student loans, get a second mortgage on the house, and encourage your child to only enter a profession where he can afford to put you in a nice nursing home.

If your child is still in elementary school or better yet diapers there are things you can do. The two most common savings programs are the 529 plan and the Coverdell education saving account. Each state has their own 529 and New York has one of the best. Any child can have donated up to 5,000 dollars into one of these accounts by any persons-no legal relationship required-in a year (married couples can do 10,000 a year for a child but let's not be bitter). You can deduct the full contribution off your state taxes. The management fees are relatively cheap. The accounts can hold up to 200,000 which is quite generous. The earnings grow tax free and if used for college expenses, the earnings stay free. You can pick the investing style you want-aggressive, conservative, etc but that is pretty much where the choices stop. If you like picking your own investments, you are out of luck. It is also transferable. If junior grows up and decides to move to New York City instead of going to school, you can switch the money to another beneficiary, like another child, nieces, nephews, or heck back to yourself. You can go back and finish your Masters in Elizabethan Poetry like you always wanted to. The bad news: 529s are considered a parental asset in financial aid calculations (but luckily not a student asset). The current law has the tax free earnings expiring in 2010-but hopefully the federal government will extend it. If money is taken out and not used for school expenses, there is a 10% penalty along with the tax bite.

The other popular vehicle is a Coverdell education account formerly called the Education IRA. You can only put 2,000 dollars a year in a Coverdell. But the Coverdell is permanent and will not expire. The Coverdell can be used for elementary or secondary school and miscellaneous expenses like camp or computers. You can also choose your own investments. Like the 529 you don't pay tax on the earnings if used for educational expenses and is considered a parental asset.

There are other methods such as Roth IRAs and custodial accounts. Always be careful with custodial accounts. They are irrevocable gifts to your child that the child has access to at 18 or 21. Picture your sweet little darling driving up with a leather jacket and a Harley telling you that instead of going to college, they are heading cross country with their significant other, Snake.

Keep in mind that when the time approaches to apply for financial aid, aid is based primarily on income. If you are thinking about selling property, taking a new job, or anything else that would generate income, think about the financial aid consequences. Also student income and assets are assessed at 35 %-as compared to about 5% for parents-for financial aid formulas. Try to keep stuff out of your kid's name. The bottom line is this: With planning and consideration you can both save for your child's college and give yourself some tax breaks in the process. Chances are, without a full softball scholarship, you and junior will be taking out some loans. But with the money you save, you can vacation in New England while the kids are attending their SUNY schools.

New York 529: 1 877 697 2837/ www.nysaves.org

Coverdell: consult your bank or financial professional

Please Note: We are not qualified to give financial advice, please consult a financial professional about saving for college.