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The madness of rising tuition costs

By MARC C. SHAFFER

During the recent March Madness basketball tournament, I saw an interesting take on the familiar bracket.

Instead of a blank bracket to choose your picks for the basketball winners, it was filled with each competing team's current 4-year cost of tuition.

A quick scan showed that only one university fell below a total of \$80,000, with many ranking from \$100,000-\$260,000. Of course, many of these colleges are high profile schools where you might expect a high tuition, but some, like Kansas State University, Wichita State and University of Kansas are right in our backyard.

Tuition is a cost many people underestimate or forget to include in their planning. With the cost of education rising at a rate traditionally higher than inflation, it is a cost that can't be overlooked.

Have you considered what the average cost for your children or grandchildren's education will be when they reach college age? In 18 years, a college that currently costs \$29,500 per year to attend may cost \$110,674.46 per year (assuming 7% inflation).

If you plan to help them pay for their education, it's beneficial to start saving as early as possible. There are numerous online calculators that can help you calculate the future costs and necessary ongoing savings to reach your goal, but make sure you are aware of the assumptions made and check on the numbers through the years to note significant changes.

One option for saving that is specific to education is a Section 529 Plan which allows you to save and invest money in a format with special tax benefits, as long as you satisfy the basic requirements for use. You can open an account in any state; it is not limited to your state of residence.

Considering the benefits, requirements and limitations of each state's plan can help you determine which is right for your needs. To establish an account, there must be an account holder and a beneficiary, but the beneficiary can be changed as needed. The education expenses covered include tuition, room and board, mandatory fees and books or computers, if required.

These plans can be opened by anyone, regardless of their income, and most have very low, if any, minimum investment requirements. Starting to save even a nominal amount as early as possible gives you the advantage of time and compounding interest, tax free if used for qualified educational expenses in the future.

As you are able, you can increase contributions up to the contribution limit set forth by the plan you establish. Because of the tax advantages of Section 529 plans, they can help make a great impact on the amount you are able to save for college expenses.

Kansas and Missouri are currently two of the states that allow contributions to be deducted from income, up to certain limits, for any state's 529 plan. Therefore, if you are a resident of either state, you may be able to minimize your tax liability by making contributions regardless of which state plan you choose.

There are many options available to help save for future college funding needs, but the key to covering the costs when the time comes is developing a strategy to save the amount needed.

This gives you a goal to work toward and helps you determine the amount you need to invest each month or year to reach your goal. You can also combine different savings options to meet your goals, because your entire financial picture should be considered when planning for a financial goal. Perhaps you want to consider savings bonds, custodial accounts or other education savings accounts. If you employ other options for saving, you'll want to make sure each works toward accomplishing your goal in conjunction with the others.

Knowing that you have to start saving early and understanding the available savings vehicles for acquiring the necessary funds is a big step toward having enough to send your children, grandchildren, or even yourself to college. What are the current out-of-state yearly tuition, room and board and fees at University of Connecticut? Only \$40,454...Go Huskies!

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