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John K. Ryan, *Star* columnist

Your child's college fund starts now

Congratulations, you've just become a parent.

Along with the diapering and the late-night feedings, there is another thing to prepare for — sending the child to college.

If that seems a bit premature, consider this: In Illinois, the cost of tuition and fees for a child born today may exceed \$90,000 at a public university.

Early college tuition programs in the state include College Illinois!, a tax-beneficial 529 plan that has different options for a parent to consider.

In Illinois, two types of 529 plans are available, a savings and a prepaid.

According to Nancy Stephens, assistant director of College Illinois!, the savings plan is a higher-risk option that relies heavily on stock market performance for growth.

"It works well for those who are knowledgeable about investments," she said.

"Somebody who chose an equity portfolio would have done great the past six months."

A budget bill passed by President Bush in 2002 gave tax-exempt status to money made in such plans if the proceeds go to higher education.

For those not so market-savvy, a protection portfolio guarantees a return, but only pays 2.5 percent.

"That may not keep pace with tuition inflation," Stephens said.

In the past 20 years, college tuition inflation in Illinois has been 8.5 percent on average.

A lower-risk option is the College Illinois! prepaid plan, a program managed by the state.

According to Stephens, this option protects against tuition inflation.

"As much as tuition goes up, the value of the prepaid tuition goes up," she said.

Cindy Menker, financial planner at Contour Financial Inc. in Orland Park, agreed.

"The prepaid 529 is an advantage because it is not dependent on the stock market's performance," Menker said.

Using current average tuition costs at state colleges and universities, actuaries project what tuition will be in years to come.

Parents invest in various installment plans to begin paying those tuition costs.

Students who enroll at an Illinois public college will receive benefits equivalent to full coverage of in-state tuition and mandatory fees for the semesters purchased.

If the costs are higher when the child begins college, College Illinois! pays the difference.

"And the costs are almost always higher than projected," Stephens said.

Although the prepaid plan can be used at both in-state and out-of-state public and private institutions of higher learning, it is best suited for in-state colleges and universities.

"Obviously, it is not as good of a deal if they go to a school out of state like Harvard or Princeton rather than to a state school," Menker said.

Stephens said parents whose children choose a private university would be wise to also open a savings plan to make up the difference in tuition costs.

"Not to mention the prepaid plan covers only tuition and fees," she said.

"There are a lot of other costs associated with going to college. The savings plan would work well as a supplement."

The enrollment period for College Illinois!'s prepaid tuition program ends March 31.

More information is at www.collegeillinois.com

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