



DEVELOPING A COLLEGE SAVINGS PLAN SHOULDN'T REQUIRE A PHD

A college education continues to be one of the smartest investments you can make - for you and your children. College enriches a young person's life in many ways, generating important intangible benefits - new ideas, broader experiences, cultural awareness and self-confidence -- as well as the tangible ones that accompany higher earning power.

In fact, it's hard to find an investment that delivers better value than a good education. Studies show that people with at least four years of college have the potential to earn hundreds of thousands of dollars more over their lifetimes than those who never attend college.

While most parents realize the value of a good education, helping their children pay for college is a different matter. Over the past 10 years, college costs have increased faster than the rate of inflation, while funds available for scholarships and financial aid have decreased.

How do College Bills Get Paid?

Mounting college costs have forced parents and students to become more creative in their search for funding. There are three main ways to pay for college.

1. **Grants and/or Scholarships.** Financial grants are an unpredictable source of funds. Grants are usually based on financial-need tests that exclude many middle-income families. Also, it's difficult to know whether or not your child will be eligible for scholarships in the future.
2. **Loans.** Banks, civic organizations, colleges and federal and state governments sponsor loan programs. There are, however, two main drawbacks to borrowing for college: The amount of the loan is limited by the family's (or the student's) ability to repay and the loan (plus interest) becomes a long-term financial burden.
3. **Family Resources.** This category includes family savings, life insurance and student earnings. Of course, family contributions vary, depending on the earnings of the parents and on the fees charged by the school in question.

Getting Started

If you have college-bound children, start a savings plan as soon as possible. The best time to begin is when your child is born. But even if the child is already in school, it's not too late. No matter how little or how much you put aside, the sooner you develop a systematic savings plan, the more time you'll have to accumulate the funds you need. When you set up your funding plan, make sure that it's:

- **Realistic.** You'll need to know -- roughly - the total amount of money your child will need to attend college. This information can be obtained from your local library, your financial advisor or the college in question (*if known*).
- **Flexible.** A good plan offers a choice of funding vehicles (*529 Plans, Education Saving Accounts, IRAs, UGMA/UTMA, life insurance, mutual funds*) to accommodate your risk tolerance, time frame and financial goals. Some are tax-deferred, offering you even more attractive benefits. It also should allow you to choose how you want to contribute money to the plan - monthly, quarterly, annually or in a lump sum.
- **Inflation-Adjusted.** Your college funding goal may be a moving target - moving beyond your reach - unless your plan takes inflation into consideration.

Do your Homework

A lot has been written about college funding over the past few years, so do your homework. Go to the library and check out what the experts have to say. Weigh the alternatives against your needs and your financial situation. Once you have an idea of your requirements, devise a plan that's geared to your needs and finances. Be sure to keep in mind these five important tips:

1. **Know your goal.** As with any financial plan, determining how much money you'll need will help determine the parameters of your plan.
2. **Start early.** The key to successfully saving enough money is to begin as early as possible. No matter how little or how much you put aside, the sooner you develop a systematic savings plan, the more time you'll have to accumulate the funds you need.
3. **Consider your time frame.** Your savings strategy will depend, in part, on when your child enters college. If you have more than 10 years, you may be able to afford riskier investments that have a greater potential for growth. On the other hand, if your child enters college next year, you'll need to be more conservative.
4. **Remember inflation.**
5. **Be flexible.**

After all, saving for college shouldn't require an advanced degree.



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400 Robert Street North, St. Paul, MN 55101-2098
1.888.237.1838

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