

Preparing for College

State Tax Credit Encourages Families to Save

By Richard Mourdock

It is not surprising to many that the costs of a college education continue to grow. Even more alarming are the number of students graduating with considerable debt in order to attain that education. Although more financial aid is available now than ever before, annual college borrowing is still up 85% over the last five years, resulting in an ever growing number of students graduating with a substantial amount of debt.

A recent study by the CollegeBoard reports that college prices are rising more rapidly than the prices of other goods and services. Tuition and fees for in-state students at public universities have jumped 35% over a five-year period since 2002, after adjustment for inflation. Since the 2005-2006 school year, average tuition and fees at four-year public colleges and universities increased 6.3% (5.9% for private schools). These rising college expenses, coupled with the growing number of students graduating with debt, mean that students and their families will continue to struggle to afford the full cost of a college education.

The growing demands on a family's purse strings may make it difficult to imagine affording the \$162,000 price tag for a newborn's future college expenses. However, now is the time to stop imagining and start planning.

Following the plan

Indiana's CollegeChoice 529 Investment Plan is a unique investment vehicle (governed by the Indiana Education Savings Authority and administered by JP Morgan) that gives Hoosiers a way to save for a loved one's college education. Earnings on the CollegeChoice Plan are exempt from state and federal income taxes when used for qualified expenses. And, this year, Hoosiers will receive an extra incentive to start saving and help end the cycle of debt for their future college student before it begins.

Recognizing the need to encourage more Hoosiers to save for higher education, the Indiana General Assembly passed legislation allowing a 20% state tax credit, up to \$1,000 each year, for contributions into Indiana's CollegeChoice Plan. This tax credit, which took effect January 1, 2007, is one of the most generous tax incentives offered for college savings by any state in the nation. Presumably driven by this new incentive, more than

6,000 Hoosier families have begun investing in their children's higher education since January 2007.

In addition to the tax credit, Indiana residents can enroll in the plan's age-based investment option directly, without the use of a financial advisor and free of any sales commissions. Hoosiers also don't pay a state authority fee and the annual maintenance fee is waived for Hoosiers who contribute to their account through payroll deduction or automatic debit from a checking or savings account.



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Business support

As a businessman, I learned long ago that an organization that helps its employees beyond the workplace has a more dedicated workforce. The importance of an educated society and workforce cannot be overstated. We must encourage more people to attend college and help them financially prepare for that day.

Encourage your employer to offer the CollegeChoice 529 Investment Plan through payroll deduction. Giving employees this option sends the message that your business wants their children to attend college, your business wants them to prepare now for that expense and that your business is willing to help them get a valuable tax credit. It truly is a win-win situation.

As chair of the Indiana Education Savings Authority, I want to continue to make saving for college through a CollegeChoice 529 Investment Plan account a priority for all Hoosier families with college-bound students. I encourage all Hoosier families to explore Indiana's CollegeChoice 529 Investment Plan. Proper planning, assisted by the new tax credit, will put college within reach for even more Hoosiers.

INFORMATION LINK

Resource: Richard Mourdock is treasurer for the state of Indiana. To learn more about the CollegeChoice 529 Investment Plan, call (866) 400-PLAN or go to www.collegechoiceplan.com