

Paying For Education

- ❑ **State-Sponsored College Savings (529) Plans** allow you to contribute as much as \$100,000 a year and in some states, deduct contributions from your state taxes. When used to pay for higher education, investment gains are often taxed at the lower child's rate, although some states completely eliminate state taxes. Plan administrators manage the investments and may use strategies that are not aggressive enough for risk-tolerant investors who believe they can earn more on their own to balance the tax advantage.
- ❑ **Education IRAs** allow your money to grow and be withdrawn tax-free as long as it's used for higher education. These accounts can't be used in conjunction with other tax-free plans (including the state-sponsored 529s), and you can contribute only \$500 per year. Since you can now make withdrawals for educational purposes from all other types of IRAs without penalties, the \$2,000 annual contribution cap may make them a better alternative.
- ❑ **Prepaid Tuition Plans** allow you to pay current tuition rates for future education at an in-state public college. These plans may not be a good idea for students who qualify for financial aid, since they eliminate that possibility. If your child decides to attend a private college, or none at all, the plan will return your investment and any interest it earned.
- ❑ **Financial Aid** including scholarships and grants is "free money" provided by the federal or state government, private organizations or the school. You do not have to pay it back. Scholarships are often awarded without consideration of financial need to students who have demonstrated excellence in specific areas or disciplines. On-campus work-study programs, which are government subsidized and need based, allow students to earn money for their education.
 - **Free Application for Federal Student Aid (FAFSA)** form is distributed and processed by the United States Department of Education. It is used when applying for all Federal Title IV student aid programs, including Pell Grants, Stafford Loans and the campus-based programs. The FAFSA (www.FAFSA.com) collects information to determine need and eligibility for aid.
 - **Federal Pell Grants** don't have to be repaid. Generally, Pell Grants are awarded only to undergraduate students, those who haven't earned a bachelor or graduate degree. In limited cases, however, Pell Grants are awarded to enrollees in post-baccalaureate teacher certificate programs. You receive the amount for which you qualify.

- **Federal Stafford Loans** are awarded on the basis of financial need and are regulated by the federal government.
- **Federal PLUS Loans** are based on credit history and require a credit check.
- **Tuition Reimbursement** or tuition assistance is a contractual arrangement between an employer and employee that outlines the terms under which the employer will pay for continuing education. Most companies base the amount on the employee's grade in the course. Although some companies pay at registration, others only reimburse after successful completion of coursework.
- **The Allstate Foundation Education and Job Training Assistance Fund** has provided the NNEDV Fund with a significant grant to help support domestic violence survivors. Since the program's inception in September 2005, more than \$2 million has been awarded by The Allstate Foundation and Allstate Insurance Company to assist survivors of domestic violence. A domestic violence agency must apply for these funds on your behalf. For more information on the fund, go to <http://nnedv.org/projects/allstatefoundation.html>.