

## **Prepaid Tuition Plans? Not recommended here!**

A top priority for most families is to send their children to college. The main concern for those families is how to pay for it and which college tuition plan will work best.

In Illinois, currently there are two popular options available to save and pay for a college education. One method is to prepay for your college tuition at today's rates or a College Savings 529 investment plan. This is in lieu of waiting to drain the old pocket book when that day arrives with whatever available funds you have or shaking down relatives. Hello Grandparents!!

The costs of a college education have risen in dramatic fashion and it is enough to make you sick and angry. Since 2001, US inflation has increased an average of 2.5% according to the US Inflation Calculator. Since 2001 the average annual increase in tuition and fees at an Illinois public university has risen 9.96% according to the details listed on the 529 Prepaid Tuition website. This statistic may not include room and board costs. Community colleges tuition costs in Illinois have increased at a staggering average rate of 7.19% in the same time frame.

Are you still sitting down? Is the blood boiling yet? Those costs don't even include beer, pizza or laundry money!! Egads!!

Unfortunately, families were given another blow as the AP reported that the State of Illinois Prepaid Tuition program has a shortfall of 20% to 31% in funding depending on the accounting method used. This was reported on March 7, 2011. Doesn't it boggle your mind that a prepaid plan can be short on funds and your kids have not even attended their first day of college? Doesn't it increase your faith in our great state?

With these rising costs for a college degree, it is now more imperative than ever that a family starts a savings plan as soon as possible. However, please take plenty of time to consider the potential risks in each plan before you begin.

The Illinois Prepaid Tuition plan is not the recommended plan if you ask most financial advisors. Critics contend that the Illinois Prepaid Plan is not recommended because there is no commission payable to the advisor. However, the facts below may change your mind.

The more serious concerns that are present in the prepaid plan include the following: 1) no control over the funds as the State is making the investments and determining strategy, 2) no transparency as they don't list the investments in an easy to read manner, 3) No guarantees that the prepaid money you contribute will be enough to cover the costs of the college you chose according to the AP article in the Chicago Tribune on March 7, 2011, 4) Limited flexibility as your options for attending school are better for in-state colleges as your benefit will be reduced when attending an out-of-state college or university.

Lastly, do you ever wonder if these appointed officials have your best interests at heart? Is there a hint that politics could get in the way of managing these funds correctly?

Knowing the facts above, most advisors will recommend a College Savings 529 investment plan. These plans have more flexibility as you can choose your investment option's and strategy, you can choose which college or university to attend throughout the US and you can choose any state sponsored plan. The main concern with a 529 investment plan is market risk.

Knowing these facts, wouldn't you want a say in where the money is invested? Do you want to determine which risks you are willing to accept? Do you want a plan where you can invest your funds according to your risk profile with the ability to change? Do you want to give the State of Illinois any more money to control? We see how well they are doing with our public funds now being \$100 billion in the hole with tax increases.

It is imperative to start saving for college as soon as possible. It is also imperative to choose the right savings plan and manage it on a regular basis. Before any plan is implemented, you should consult with a financial advisor to go over the different options that are available.

I was lucky to be able to graduate from NIU with a gift from my grandmother and with the help of my parents. Ultimately, my education has been the best investment that was ever made. We hope that it is for you and your kids!