

## **EDUCATION PLANNING**

### **I. WHAT'S NEW THIS YEAR**

- College Costs are Soaring
- Lifetime Learning Credit May Surpass the Hope Credit
- 529 Plan State Comparison

### **II. EXECUTIVE SUMMARY**

The cost of college continues to soar in 2002/2003 with a 9.6% increase in the average annual cost of a four year public university. The government has responded with numerous tax advantaged programs in the form of deductions and credits. The academic institutions have a myriad of financial aid opportunities.

Growth in 529 Plans have exploded in the last 3 years and is projected to be 51 billion by 2006. Projected growth should mirror the 401K plans which went from 0 to 2 trillion dollars in 20 years.

### **III. COLLEGE FACTS**

#### **A. 2003 Headlines**

1. Loans For Tuition Hit Record Level
2. Prepaid College – Tuition Plans are Falling Short
3. Miami of Ohio Increases Tuition 138%
4. New York Board Proposes 41% Tuition Increase

#### **B. 2002/2003 School Year College Facts from college board.com**

1. Average annual 4 year private college tuition & fees \$18,273 (5.8% increase)
2. Average annual public college tuition & fees \$4,081 (9.6% increase)
3. Average annual 2 year private college tuition & fees \$9,890 (7.5% increase)
4. Average annual 2 year public college tuition & fees \$1,735 (7.9% increase)
5. 38% of students pay less that \$4,000 per year

6. 7% of students pay \$24,000 or more per year
7. There was \$90 billion in financial aid (11.5% increase)
8. Over 75% of students receive financial aid in 4 year private colleges
9. Over 60% of students receive financial aid in 4 year public colleges
10. Someone with a college degree earns on the average 80% more than those with only a High School diploma

#### C. Other Facts

1. Only 15% graduate in four years or less
2. 43% do not finish in 5 years
3. Survey by USA Today showed 56% of parents saved nothing for college and only 4% put away more than \$5,000
4. The average undergraduate debt for 2002 was \$18,900

## IV CREDITS

A. HOPE CREDIT covers tuition and fees related to enrollment for post secondary education (college) expenses for the *first two years* of undergraduate education (also known as freshman and sophomore years).

1. \*Note: The HOPE CREDIT is not available for any academic period if the student has been convicted of a federal or state felony consisting of the possession or distribution of a controlled substance before the end of the tax year in which the academic period ends (*Code Section 25A(b)(2)(D)*)

2. The maximum credit is \$1,500 per student, per year.

B. LIFETIME LEARNING CREDIT covers tuition and fees required for enrollment or attendance at an eligible educational institution for courses of instruction of such individuals at such institution to acquire or improve job skills of the individual and available for undergraduate, graduate or professional courses.

1. A taxpayer may claim the credit once annually for the combined expenses paid by the taxpayer for *all eligible students* who include the taxpayer, taxpayer's spouse, and individuals claimed as dependents.
2. The maximum credit is *\$2,000 for each eligible taxpayer* per year.

NOTE: A taxpayer may not take both credits for the same student in the same tax year, but a taxpayer can still end up with both credits.

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**VI. 529 PLAN COMPARISONS**

<http://www.savingforcollege.com>