

Financial FITNESS

529: The COLLEGE ROTH IRA

By Tom Rauchegger, Co-Founder of Cramer & Rauchegger, Inc.

It is spring time; the school year is nearing a close and the talk of graduation ceremonies are in the air. No matter what school year your child is finishing, the financial concerns of college are always prevalent in our minds. Did we do the right college planning? Did we save enough and is/was there a better way? According to a recent CNN Money study, the average annual cost of a public university including tuition, room and board, and books is \$13K today. Private universities average \$28K and an Ivy League school will cost \$37K. Those stats are enough to make this father of two young children lose sleep at night. Many financial advisors will tell you that saving for your own retirement is more important than saving for college because your children should have more sources of money for college than you will have in your golden years. If you want to save money for college then we have a few tips that might help you reach your goals.

Creating a plan for college ahead of time will save you both time and money. Meet with a financial advisor to decide the best path to take based on your personal situation and goals.

Set up a 529 College Savings Plan for your child or grandchild. Anyone can contribute; the money grows tax-free and comes out 100% tax-free as long as it is used to pay for post-high school education or educational related expenses. Sounds a lot like a Roth IRA, doesn't it?

Start saving as early as possible. Just \$100 per month for 13 years will yield \$48K assuming an 8% return. Remember that you do not have to save the entire cost of four years of education (every little bit will help).

Remember, contributions from family and friends make great birthday and holiday gifts. It might not be as exciting as the latest video game or toy, but it will be the most appreciated in the long run.

Ask your financial advisor to help you research the 529 state sponsored plan that will work best for you. Plan flexibility,

investment options, fees, contribution limits and track record should all be factors in your decision making.

It has been said that knowledge is power. The 529 College Savings Plan is just one way to invest in your child or grandchild's future. Personally, I look forward to the day when I can help pay for my children's education on a tax-free basis.

For more information on education planning please feel free to contact us at Cramer & Rauchegger, Inc. You can reach us by phone at 407-645-4433; e-mail us at info@cramerandrauchegger.com or visit our company website at www.cramerandrauchegger.com. Founded by Orlando natives Scott Cramer and Tom Rauchegger, Cramer and Rauchegger Inc. is an independent advisory firm that specializes in retirement management, estate planning and wealth management for high net worth clients who are close to or currently in retirement.

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Tom Rauchegger (left) & Scott Cramer

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