

## 4 ways to grow money for future college costs

BY SUZE ORMAN

If you are grappling with how to save for your children's education, you should check out my favorite college investment accounts:

- **Coverdell Education Savings Account:** A single filer with an adjusted gross income below \$110,000 (\$220,000 for couples filing jointly) can invest up to \$2,000 a year in a Coverdell for each child under 18. Anyone is eligible to contribute, including parents, grandparents, friends. The contribution isn't tax-deductible, but withdrawals used to pay for any level of education won't be taxed.
- **529 Plans:** These college savings accounts come in a few different flavors: prepaid plans, standard savings plans and my favorite, the Independent 529 Plan. Just by investing in an Independent 529, you can receive a credit for a certain percentage of future costs at more than 200 participating schools. For example, a \$10,000 investment might earn you 40% of future costs at College A and 50% at College B.

There are no income limits, and the maximum lifetime contribution you may invest changes every year. For the 2007-08 school year, the maximum lifetime amount you may contribute is \$177,500 for each child. You can use the money only for tuition and fees, not room and board, and only to pay for undergraduate education. Also, you must hold the certificate for three years before you can cash it in. Your investment in an Independent 529 isn't deductible, but your withdrawals won't be taxed. To learn more, go to [www.independent529plan.org](http://www.independent529plan.org).

- **Roth IRAs:** Yes, these are retirement vehicles, but they can be used to pay for college, too. Single filers who earn less than \$101,000 (\$159,000 for joint filers) can invest \$5,000 a year in a Roth. (If you're over 50, you can invest \$6,000.) The great thing is that your original contributions can be withdrawn and used for any purpose without taxes or penalties. Let's say you invested \$3,000 for 18 years and your money grows at 8% a year. Your account will be worth about \$201,000. You can withdraw the \$90,000 in contributions tax-free and use it for college costs. The remaining \$111,000 can continue to grow. If you withdraw those gains after you turn 59 ½ and you've owned the Roth for at least five years, they won't be taxed, either.
- **Government bonds:** Series I Bonds and Series EE Bonds can be terrific options. Single tax filers with incomes below \$78,100 (\$124,700 for married couples filing jointly) can use the proceeds from these investments to pay for higher education costs tax-free. You can learn more about both bonds at [treasurydirect.gov](http://treasurydirect.gov).

**SUZE ORMAN** is an author and TV host who writes and talks about personal finance. More at [www.suzeorman.com](http://www.suzeorman.com). For more Financial Advice from Suze, watch the *The Suze Orman Show*, 9:00 PM ET, every Saturday night on CNBC.