



## HOW SOME STUDENTS ARE LOWERING OR AVOIDING COLLEGE TUITION AND STUDENT LOANS

BY NICOLE ZELNIKER, USA TODAY

**A**s many Americans struggle with student debt, a growing number of college-bound teenagers have found a way to sidestep as much as \$44,000 in tuition expense, on average — and the loans that often go along with it.

Enrollment is growing in early college programs, which allow high school students to take college courses in 11th and 12th grade, potentially cutting the time and money spent at four-year institutions in half. All official early college programs are public.

The early college high school initiative started in 2002 at Guilford College

in Greensboro, North Carolina, and began with fewer than 200 students. Today, the program serves hundreds of thousands of students at hundreds of early college high schools, according to Jobs for the Future, a nonprofit geared toward providing educational opportunities for underserved communities.

“Early college education is growing more popular by the year,” says Maria Beggs, a teacher at Stockton Early College Academy in Stockton, California. “If students follow the required track, they may be able to graduate from high school with their (associate) degree or just transfer to a university as a freshman with junior standing.”

The schools are significantly cheaper than other pre-college high school programs, including dual enrollment programs and community college courses, which can cost thousands of dollars.

“That makes a huge difference for low-income students and students underrepresented in higher education,” says Joel Vargas, vice president of school and learning designs at the nonprofit Jobs for the Future.

“They don’t have to overcome the hurdles,” he says, referring to tuition costs. “They’ve been removed.”

The stakes are high. Tuition at four-year public colleges and universities averaged \$16,650 in 2017, while tuition at private colleges and universities averaged \$32,410 a year. During the 2015-2016 school year, the average student graduated with \$29,500 in student loan debt, up from \$25,700 in 2014.

The schools in the initiative were funded largely by the Gates Foundation through grants up until 2012. Between 2001 and 2004, the organization donated over \$124 million.

“Early college gave me the privilege of time and resources to figure out what makes me tick before being thrown into an institution filled with an overwhelming number of opportunities,” says Meghana Iragavarapu, a graduate of the Early College at Guilford program who is now at Duke University.

The proven ability to handle college-level work and responsibilities is also attracting the notice of admissions officers at universities and colleges.

Frank Thomas Rechichi, assistant director of admissions at the Rochester Institute of Technology, visits high schools in New York as part of his job, including the Bard early college high school programs in Queens and Manhattan. He says early college students stand out during the admissions process, often landing scholarships.

Even those who don’t get credits transferred can use the time to figure out what they want to do. “It is less expensive, in time and money, to change your mind at the high school early college level than at RIT,” Rechichi says. ■

# MONEY MATTERS\$

## Helpful Facts About 529 College Savings Plans

BY RUSS WILES, USA TODAY NETWORK

**S**ection 529 of the Internal Revenue Code is a college savings plan that offers tax breaks and healthy investment options. Since its introduction 22 years ago, use of the plan has leveled, according to a 2017 Sallie Mae report. Many families just don't have the disposable income to put toward the plans, but 529 misconceptions also may explain part of the slowdown. Here are eight things you might not realize about 529 plans:

**1. YOU DON'T NEED TO MEET INCOME GUIDELINES.** Unlike individual retirement accounts, no income caps apply. There's no curtailment of the tax benefits, either, so investment earnings potentially grow free of federal taxes. You can't deduct contributions to a 529 plan on your federal tax return, but more than 30 states allow full or partial deductions, according to [www.savingforcollege.com](http://www.savingforcollege.com). And most programs feature low investment minimums, often as little as \$25.

**2. YOU DON'T NEED ASSETS IN YOUR CHILD'S NAME.** For children to receive financial aid, it's best not to have a lot of assets held in their names. When parents set up 529 plans, the assets are counted less heavily for financial aid eligibility than if the same assets were held by the child in, say, a custodial account.

**3. YOU DON'T HAVE TO USE THE ACCOUNTS FOR TUITION.** It's recommended, but not required, to use proceeds for higher education, as distributions would then come out tax- and penalty-free. Permissible expenses also include housing, books, computers and more. The money can also be used to finance training in technical or vocational schools. And thanks to recent tax reform legislation, proceeds can be taken out tax-free and used to pay for up to \$10,000 annually in tuition for kindergarten through 12th grade.

**4. THE MONEY DOESN'T HAVE TO GO TO THE INTENDED RECIPIENT.** If your kid decides not to attend college, you can transfer the account balance to another beneficiary, such as the child's younger sibling. You also could transfer it to someone unrelated or use it for your own higher education expenses, should you return to school.

**5. YOU AREN'T REQUIRED TO GIVE IT AWAY.** It's even possible for an investor to pull out proceeds for personal use. This can be handy if the donor runs into personal financial problems or if the intended recipient doesn't attend college or wins a full scholarship. However, donors who transfer 529 assets for their own noncollege use face taxes on earnings and a 10 percent penalty.

**6. YOU DON'T HAVE TO BE A PARENT TO USE THESE ACCOUNTS.** Other family members and even friends

can set up and fund 529 accounts. The person who sets up the account retains considerable control over it, including deciding who to name as the beneficiary and where to invest.

**7. YOU CAN USE ANOTHER STATE'S PLAN.** Though the accounts are named after a section of the Internal Revenue Code and feature earnings that are tax-free on federal returns, the programs are run by the various states in partnership with investment companies.

**8. THERE'S NO NEED TO FRET OVER INVESTMENT DECISIONS.** Nearly all 529 plans utilize mutual funds and exchange-traded funds. Funds with stock market exposure usually are the way to go, especially for young children whose accounts could grow for 15 or 20 years. The accounts don't need to be liquidated as soon as the beneficiary reaches adulthood. For example, funds may be used for graduate school. ■

