

Saving for your child's education is one of your most important financial tasks.



## HOW TO ORDER INFORMATION

Texas State Securities Board  
 (512) 305-8300  
 www.ssb.state.tx.us  
 www.texasinvestor.org  
 www.facebook.com/TXInvEd  
 PO Box 13167  
 Austin, Texas 78711



### About the Investor Protection Trust

The Investor Protection Trust (IPT) is a nonprofit organization devoted to investor education. More than half of all Americans are now invested in the securities markets, making investor education and protection vitally important.



Since 1993 the Investor Protection Trust has worked with the States and at the national level to provide the independent, objective investor education needed by all Americans to make informed investment decisions. For additional information on the IPT, visit [www.investorprotection.org](http://www.investorprotection.org).

### About the Investor Protection Institute

The Investor Protection Institute (IPI) is a non-profit organization that promotes investor protection by conducting and supporting research and education programs. For additional information, visit [www.protectinvestors.org](http://www.protectinvestors.org).



## STATE SECURITIES REGULATORS

State Securities Regulators have protected investors from fraud for nearly 100 years. Securities markets are global, but securities are sold locally by professionals who are licensed in every state where they conduct business. State Securities Regulators work within your state government to protect investors and help maintain the integrity of the securities industry.

### Your State Securities Regulator can:

- Verify that a broker-dealer or investment adviser is properly licensed;
- Provide information about prior run-ins with regulators that led to disciplinary or enforcement actions; serious complaints that may have been lodged against them; their educational background and previous work history;
- Provide a Web site, telephone number or address where you can file a complaint; and
- Provide noncommercial investor education and protection materials.

For contact information for your State Securities Regulator, visit the North American Securities Administrators Association (NASAA) Web site at [www.nasaa.org](http://www.nasaa.org) and click on "Contact Your Regulator."

## Where to Invest Your College Money

By the Editors of  
*Kiplinger's Personal Finance*

Saving enough sounds like a formidable task, but don't get discouraged

Saving enough money to pay for four years of college sounds like a formidable task, but don't get discouraged. If you have young children, you have a chance to start early and let your money grow.

What if you start late or have more than one kid or can't afford to save the same amount every year? Save what you can. Having some college money, even if it's not the full amount, gives you a foundation on which you can build during the college years. One way to start investing for college is with the booklet *Where to Invest Your College Money*. Here's a sample of the information in the booklet:

### The Basics of Investing

Before you can start building your college fund, you have to know where to invest your money. In general, stocks have outperformed all other investments by a big margin over long periods of time. Since 1926, the stocks of large companies have produced an average annual return of nearly 10% (including the lows during the Great Depression, the 2000–02 stock slide that followed the collapse of the Internet bubble, and the financial crisis of 2007–09).

If stocks are too unsettling for you, or if you have fewer than eight years until you start to pay the college bills, you will want to add bonds or other fixed-income vehicles to reduce the overall risk level of your portfolio. A bond is an IOU issued by a corporation or a government. When you buy a bond, you are

making a loan to a company or government, which agrees to pay you a fixed amount of interest until the bond matures. At that point you are paid the bond's face value. Although investing a portion of your assets in bonds may reduce your overall rate of return, the additional diversification and safety will make for a smoother ride toward your goal.

If you're unsure about how to invest, sock your college savings in mutual funds. A mutual fund pools money from many investors and buys a portfolio of stocks, bonds or a mix of both designed to achieve a specific investment goal. Mutual funds are especially well suited for beginning investors who worry about their ability to select appropriate stocks or bonds. But even experienced investors and

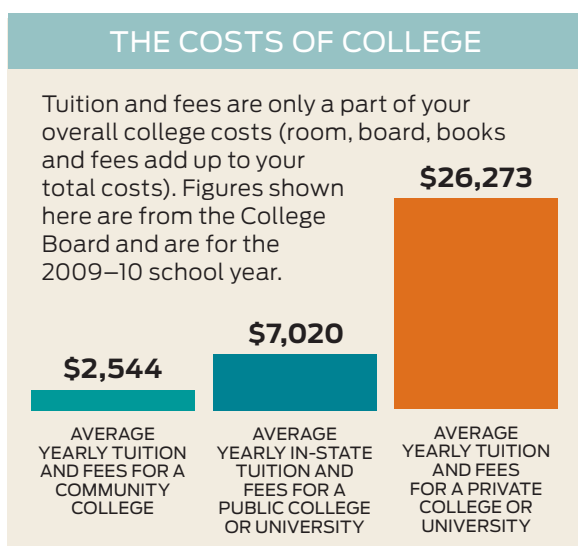
those with large portfolios can benefit from what mutual funds have to offer: instant diversification, automatic reinvestment of earnings and easy-to-monitor performance.

### Investing in a 529 Savings Plan

These state-sponsored investment accounts, named after the section of the tax code that gives them tax-favored status, let you shelter your college savings from federal (and usually state) income tax. You don't get a federal tax deduction for your contributions to the account, but your investments grow tax-free, and the earnings escape tax altogether if you use the withdrawals to pay for qualified education expenses—such as tuition, fees, room and board, and textbooks.

You may also get a state tax deduction or tax credit as a reward for your contribution to these qualified tuition programs. About two-thirds of the states and the District of Columbia allow you a state tax deduction or other tax benefit as an incentive to save for college.

Unlike other education savings programs, 529s let you participate no matter how much you earn, and the states set generous limits on total contributions—in many cases more than \$300,000. You make your contributions, starting with as little as \$25 or \$50, by check,



OPEN HERE FOR MORE



# Where to Invest Your College Money

When acceptance letters roll in, you'll be ready

through a payroll deduction or via automatic withdrawal from your bank account.

Which plan is best? If you live in one of the states that offer a deduction or a tax credit, there's probably no need to look further. Your savings on taxes likely will overcome any shortcomings of your state's 529. If you don't get a tax benefit from your state, shop around; most state plans are open to residents and nonresidents alike.

## Locking in Tuition With a Prepaid Plan

Prepaid tuition plans let you buy tuition at a state college or university years before your child is ready to attend. That can be an attractive idea when tuition is going up faster than the rate of return you're likely to make on your investments.

In most prepaid plans, only state residents are eligible to participate. Typically, you pay a lump sum upfront or pay over time in installments. You must usually buy into a prepaid plan at least three years before your student will be ready to enroll. States charge somewhat more than that year's tuition and fees to ensure that they have enough money to cover future costs.

If your child ends up going to school beyond state borders or to a private school, the plans let you apply the value of your account (usually a weighted average of the costs at in-state public universities) to that school. You can also take a refund, which may include a small amount of interest.

## Other Tax-Favored Ways to Save

You have a few other options for your college savings, depending on how high your income is.

**Coverdell Education Savings Accounts** give you both more and less flexibility than a 529 savings plan. You can set them up for your child or children under 18 at any participating bank, mutual fund company or brokerage firm. The total amount for each child cannot exceed \$2,000 a year. Your money grows tax-free, and you avoid tax on the earnings if you withdraw the money for qualified educational expenses.

With a **Roth IRA** retirement savings account, your contributions can serve a double purpose. The Roth allows you to take out your contributions at any time, tax- and penalty-free, so you could tap those contributions for college expenses.

Don't overlook tax breaks for college expenses. Again, income limits apply, and you have to choose which benefit to claim because you cannot use the same expenses to claim more than one benefit.

Among the most generous is the **American Opportunity Credit**, available in 2010 for expenses incurred by students who attend college at least half-time during their first four years of undergraduate education. A parent, spouse or student who is not claimed as a dependent can take a federal income-tax credit equal to 100% of the first \$2,000 spent on qualified education expenses—tuition, fees and textbooks—and 25% of the next \$2,000, for a total credit of \$2,500 for each qualifying student.

**More information.** To read the full-length *Where to Invest Your College Money* booklet, visit [www.investorprotection.org](http://www.investorprotection.org) or contact your State Securities Regulator's office.



## MORE INFORMATION ABOUT INVESTING

The following booklets from the Editors of *Kiplinger's Personal Finance* magazine and the Investor Protection Trust are available at your library and offices of State Securities Regulators.



### Five Keys to Investing Success

- Make investing a habit
- Set exciting goals
- Don't take unnecessary risks
- Keep time on your side
- Diversify



### The Basics for Investing in Stocks

- Different flavors of stocks
- The importance of diversification
- How to pick and purchase stocks
- When to sell

Key measures of value and finding growth  
What's your return?  
Consider mutual funds



### A Primer for Investing in Bonds

- How do bonds work, anyway?
- How much does a bond really pay?
- How to reduce the risks in bonds
- Going the mutual fund route



### Mutual Funds and ETFs: Maybe All You'll Ever Need

- Mutual funds: The best investment
- The different types of funds
- How to choose funds
- Assembling a portfolio

Sources of mutual fund information  
Where to buy funds



### Maximize Your Retirement Investments

- Three key rules
- Creating the right investment mix
- Investing on target
- Best places to save

Guidelines for saving at every life stage  
Getting the money out and creating an income stream

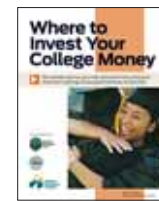
Protect your money: Check out a broker or adviser



### Getting Help With Your Investments

- Do you need a financial adviser?
- Who's who among financial advisers
- How to choose an adviser
- How to open an account

5 questions to ask before you hire an adviser  
What can go wrong  
How to complain



### Where to Invest Your College Money

- The basics of investing for college
- Investing in a 529 savings plan
- Locking in tuition with a prepaid plan
- Other tax-favored ways to save

Tax credits for higher education  
Save in your child's name?



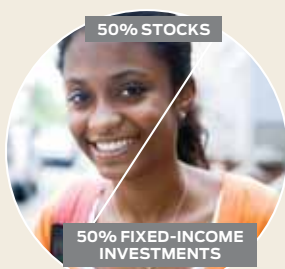
## 529 INVESTMENT MIX BASED ON YOUR CHILD'S AGE



ELEMENTARY SCHOOL YEARS  
UP TO 100% STOCKS



MIDDLE SCHOOL YEARS  
75% STOCKS



FRESHMAN AND SOPHOMORE HIGH SCHOOL YEARS  
50% FIXED-INCOME INVESTMENTS



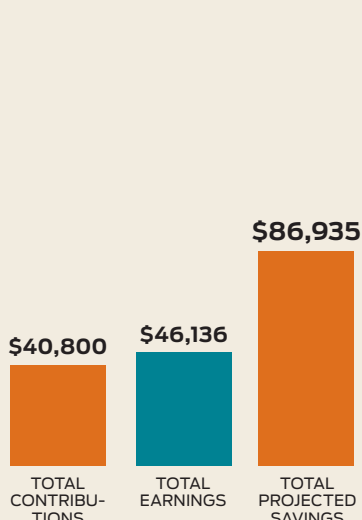
JUNIOR AND SENIOR HIGH SCHOOL YEARS  
75% FIXED-INCOME INVESTMENTS



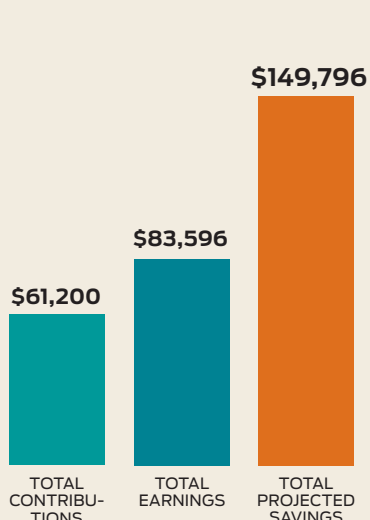
FRESHMAN YEAR OF COLLEGE AND BEYOND  
100% FIXED-INCOME INVESTMENTS

## HOW YOUR COLLEGE SAVINGS CAN GROW

Current savings: \$0  
Years to college: 17  
Monthly savings: \$200  
Rate on savings: 8%



Current savings: \$5,000  
Years to college: 17  
Monthly savings: \$300  
Rate on savings: 8%



Current savings: \$10,000  
Years to college: 17  
Monthly savings: \$300  
Rate on savings: 8%

