Consumer Tips from Your Community Banker
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Wisconsin College Savings Plans: Still Your Best Choice?

Wisconsin's college savings plans include $1 billion in investments held in 250,000 accounts established to aid adults of all ages in realizing their college dreams. With college costs escalating by 8 percent annually, it's no wonder that a growing number of parents, grandparents, and other investors are setting money aside for children to attend a higher education institution.

The state's two federally chartered 529 college savings plans—EdVest and tomorrow's scholar—offer different investment options in which earnings are sheltered from federal and state income taxes when they are withdrawn to pay for tuition for higher educational institutions in Wisconsin or elsewhere. These types of state plans were made possible in 1996, with the creation of Section 529 in the Internal Revenue Code.

In Wisconsin, these plans, which have been managed by Wells Fargo Funds Management, LLC, will have a new program manager—TIAA-CREF Tuition Financing, Inc., beginning Nov. 1. Why the change? Earlier this year, Wells Fargo opted not to respond to a request for proposal (RFP) to continue to manage these funds, preferring instead to focus on areas of core competency after its contract ends on Oct. 31. To replace Wells Fargo, Wisconsin selected TIAA-CREF, which currently operates college savings plans in 10 other states.

Wisconsin college savings plan investors may see new investment options when TIAA-CREF takes over management of Badger State plans, but these have not yet been announced. Otherwise, investors should not see any differences in how the plans are administered. There will be no changes in an investor's ability to make contributions to the plans, withdraw funds to pay tuition, or deduct earnings.

The upcoming change in program management, however, may signal a good time to review your investment goals. Are college savings plans still right for you?

As college costs escalate, new high school grads might look instead at other options rather than aim to earn a traditional four-year degree at a public college. Maybe they will want to pursue a virtual, online degree, start their own business, or even take a job overseas. These less traditional goals would not qualify for tax-free withdrawals from 529 plans.

If you think your child or grandchild may turn out to be a budding entrepreneur or have other alternate postsecondary plans and that you would like to assist them in reaching their more inventive goals, you may want to consider a Roth IRA instead of a 529 plan. You can withdraw money from your Roth IRA for any purpose without incurring taxes on withdrawals.

A Roth IRA might also help fund your own retirement, which financial planners often view as a higher priority than establishing a college savings plan for a child. After all, your child can borrow to attend college, but you can't borrow to fund your retirement (reverse mortgages aside).

To learn more, visit:

- Wisconsin Office of the State Treasurer, and click on the College Savings Program tab: www.statetreasury.wisconsin.gov/
- An Internet guide with news, calculators, and comparisons: www.savingforcollege.com
- The College Savings Plan Network: www.collegesavings.org

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