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College investment pays off big in the long run

By **GEORGE CHAMBERLIN**, Executive Editor

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Anyone who has had the joy of sending children off to college knows one of the great truths of life: save and invest, it probably won't be enough.

As a result, many students and families find themselves going into debt in order to pay for the high. In fact, the College Savings Foundation says student loans now stand at more than \$850 billion, more than the total debt of \$820 billion.

The Foundation was in San Diego for its annual conference and, according to chairman Roger Mic, becoming more of a family affair. Instead of putting the burden squarely on Mom and Dad, a growing number of students say it is their responsibility to shoulder a portion of the costs.

A study by the Foundation found 58 percent of high school students expect to pick up the tab for at least some college expenses. And 48 percent have already started saving with nearly a quarter of them already having saved \$5,000.

And students seem to be willing to make sacrifices in order to cover the cost of college. The study found that 60 percent of students headed for college said they would forgo things like cars and electronics in order to set the money aside.

That is up from 54 percent a year ago.

Families that have planned ahead for college have benefited from the surge in stock prices over the past year. The number of 529 college savings plans rose by 8.2 percent at the end of the fourth quarter of 2010 to \$138.2 billion. Since a big chunk of the money in these college savings accounts is allocated toward stocks, the price of stocks have rebounded. Yet, at the same time, contributions to 529 plans also rose by 15 percent in the same period.

The magic of 529 plans, of course, is the tax treatment on investments. The money grows tax-deferred in a 529 plan and, if used to cover college costs, the gains will be tax-free when withdrawn.

Saving for college can be a burden and often comes at a sacrifice for other family activities like vacations. But if students can remember the money spent on a college education is really an investment, then it becomes a lot easier. For instance, the "Journal of Student Financial Aid" calculates that a bachelor's degree is worth \$1.2 million in lifetime income than a high school diploma, a 27 percent return on investment.

And a doctoral degree is worth an additional \$1.7 million in lifetime income than a bachelor's degree -- doctor, lawyer and the like -- raises the return to \$2.9 million more in a lifetime than the b
Add it all up and that college degree will prove to be a good investment that will pay dividends for y

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