

College costs are rising. Do you have any advice on how to pay for it?

Every Sunday, The Star asks local financial experts to respond to readers' questions on consumer and investor issues. If you have a question, please e-mail it to dwight.adams@indystar.com or mail it to: Personal Finance, The Star, P.O. Box 145, Indianapolis, IN 46206-0145.

The prospect of paying for a college education for yourself or your children is a daunting consideration. Continually rising costs mean people should carefully research grants and scholarships and consider saving money in a tax-free savings plan, such as the Indiana 529 College Choice Savings Plan. Let members of the Financial Planning Association of Greater Indiana help you decide what to do. You can visit their Web site at www.fpagrindiana.org.

Robert Fredrikson

FREDRIKSON
FINANCIAL ADVISORS

College costs are funded by savings, scholarships, loans and current earnings. Parents and schools call this the financial aid package.



» Research FAFSA and aid formulas that determine your "contribution and need." Assets and income that determine contributions are treated differently based on the source, type and owner.

» Apply for acceptance and financial aid as soon as possible at several schools. Enrollment, scholarship and grant money are limited and often awarded to the first to qualify.

» Save as early as feasible but not at the expense of financial goals. Build in flexibility as the amount of "need" may not be known until the first semester.

» Keep money out of the child's name, by avoiding UTMA/UGMA accounts except for the child's own money. The Indiana 529 plan offers a generous 20 percent matching tax credit (up to \$1,000) per year for Indiana residents, including other family members.

» Have a frank conversation about commitment and repayment expectations. You would be amazed at how many parents are paying their working kids' loans and not funding their own retirement.

» Be flexible. If the aid package is not enough, consider a different school with a more generous offer. Community college also can be cost-effective.

★ Fredrikson is a certified financial planner.

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