

## Newborn Checklist: Crib, Car Seat, College-Savings Plan

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### H&R Block Advises Jump-Starting College Savings to Enhance Future Value, Reap Tax Benefits

KANSAS CITY, MO, Jun 16, 2010 (MARKETWIRE via COMTEX) --If the babies attending graduation ceremonies across the country enroll in public, four-year colleges in 2028, they will pay an estimated \$92,900 for in-state tuition for their degrees. Those opting for a private education will likely pay \$347,700 for tuition.\* H&R Block (NYSE: HRB) advises parents to start saving for college early to make their dollars work for them and reap valuable tax benefits.

"These numbers can seem intimidating, but setting a goal and starting a college-savings plan when children are young can make a substantial impact toward covering college costs and provide tax benefits," said Alison Flores, analyst at The Tax Institute at H&R Block. "The tax advantages of paying for college with tax-deferred or tax-exempt funds increase with the amount of money invested and the amount of time the investment has to grow."

An ideal time to start saving for education costs is when a baby is born. Saving for enrollment or attendance expenses for kindergarten through high school at any public or private school can be done with a Coverdell Education Savings Account, which also can cover college expenses. The contributions are not tax-deductible, but the earnings grow tax-deferred and distributions are tax-free if they are less than qualified education expenses in the year of distribution.

These also are college-savings plans with tax benefits:

- 529 Plans -- These programs allow parents to prepay qualified education expenses, including computer and technology costs. Distributions are tax-free if they are less than qualified education expenses, and earnings grow tax-deferred.
- IRAs -- The 10 percent penalty for early withdrawal does not apply to IRA distributions if they are less than qualified education expenses for self, spouse, child or grandchild. These accounts are flexible; money put into an IRA not used for education can be used by the holder for retirement, regardless of the initial intent. Distributions from a traditional IRA are generally taxable, while Roth IRA contributions may be withdrawn tax-free.
- Savings bonds -- The principal and interest earned on savings bonds is generally safe and will not be lost due to changes in the financial markets. Bond owners meeting income restrictions can use the proceeds tax-free to pay qualified education expenses for self, spouse or dependents. The bond proceeds must be less than qualified education expenses in the year of redemption.

For more information about tax benefits associated with saving for college, visit H&R Block's Dollars & Sense website or contact a local H&R Block tax professional.

\* Figures provided by Savingforcollege.com, do not include room and board, supplies, equipment or transportation

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