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**On Eve of College Savings Month (Sept.), East Tennesseans Should Consider  
Disciplined Approach Toward College Savings in Down Economy**  
*With tuition going up, many parents fret about paying for college*

Maryville, Tenn. — With September as National College Savings Month and the 2009/2010 school year kicking into full motion, LeConte Wealth Management suggests that families take a disciplined approach to college savings, especially in a down economy.

A college education is a precious, yet costly investment. Saving for college can be a challenge, and many parents may find themselves asking questions like, “When should I start saving for college?” or “What type of savings account should I use?”

“Hoping that a child will receive some sort of scholarship is not a viable college savings strategy,” said Kevin Painter, managing partner of LeConte Wealth Management. “Even though a college education can be a long-term goal for parents with a young child or children, saving and investing money now for an extended period can produce significant results as tuition for higher education continues to rise.”

According to the 2008 College Board report, the average in-state tuition and fees at four-year public colleges for the 2008-2009 academic year were up nearly \$400 from the previous year. In addition to tuition, room and board adds approximately \$8,000 to the total educational-related costs per school year.

As with any long-term financial goal, time is a valuable asset. The first step in saving for a college education is to determine how much to save and budget accordingly.

“We all know that children grow up too fast,” said Hoy Grimm, managing partner of LeConte Wealth Management. “We urge parents to develop a savings strategy early to put money away each month to help offset the costs of higher education down the road.”

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LeConte Wealth Management offers the following tips for parents to help save for a child's higher education:

- **Start early.**  
Create a defined goal of how much savings is needed for each child when he or she will leave for college. Be realistic. Consider whether or not the child will attend a public or private college or university, as well as what types of grant or scholarship money might be available. Parents also can save money each month by having it automatically deducted from paychecks or personal checking accounts.
- **Research college savings plans.**  
A college savings plan can be an expensive undertaking, but a child's education is an important investment. There are several ways to pay for college, but most financial experts agree that a 529 savings plan is potentially the best way to go, depending on each family's personal situation. Created to encourage families to save for the expense of college, 529 plans reward investors with important benefits that otherwise would not be available.

The 529 savings plan can vary by state since the plan is offered on a state level. Parents should compare the 529 plan in terms of flexibility, tax considerations, investment selection, contribution rules and costs/fees. Any state that offers a 529 plan can provide a free information packet about the program or check out a plan's Web site for details.

In addition to a 529 account, other college savings plans include custodial accounts, 2503(c) Trust, and Coverdell Educational Savings Account (*see chart for comparison of these plans*).

- **Understand the costs and timing.**  
For parents with more than one child, the total cost and timing is especially important. For example, for a family with two children who are two years apart, tuition costs will be doubled for a period of time. Some 529 college savings plans allow for a change of beneficiary. For example, parents could fund a 529 for the older child, then change the beneficiary to the younger child if there are any funds left after college.

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- **Consider all options.**

According to The College Board, most families do not pay the full sticker price for college. Most students receive some type of aid. While for many families, college savings plans have plummeted along with the stock market, millions of dollars of financial aid is available. In addition to the Tennessee Education Lottery Scholarship program, several other scholarships also are available through local and national businesses/organizations, community organizations or houses of worship.

The U.S. Department of Education offers a website for free information on preparing for and funding education beyond high school. A comprehensive listing of all federal student financial aid information is available at [www.studentaid.ed.gov](http://www.studentaid.ed.gov). Parents should also keep in mind that grants, unlike loans, do not have to be repaid. Also, obtaining information about financial aid is free, so be careful to avoid any scams where you have to pay large fees upfront for financial aid information.

- **Have a strategy.**

Some parents may be facing the decision of whether or not to delay retirement because of college costs. If parents must tap into retirement accounts to pay tuition, make sure there is a strategy to pay the funds back. Have a plan to replace those assets and stick to it to help meet goals.

LeConte Wealth Management also offers a free College Savings Plan calculator as well as other free financial tools on its website at [www.lecontewealth.com](http://www.lecontewealth.com). LeConte Wealth Management offers these free financial calculators to anyone who is interested without requiring a log in or providing any personal contact information.

**Commonwealth Financial Network Provides the Following College Savings Plan Comparison Chart:**

## COLLEGE SAVINGS PLAN COMPARISON

Custodial Account	2503(c) Trust	Coverdell Education Savings Account (ESA)	529 Savings Plan	529 Prepaid Tuition Plan
<b>Description</b>				
<p>Account established at a financial institution. Managed by parent or another designated custodian.</p>	<p>Trust established for benefit of a minor child.</p> <p>Can be controlled by a trustee until child reaches age 21.</p>	<p>Savings vehicle allows money to accumulate tax-deferred.</p> <p>Distributions exempt from federal taxes if used to pay qualified education expenses of beneficiary.</p> <p>Maximum contribution: \$2,000 per beneficiary, per year.</p>	<p>Investment account allows money to accumulate tax-deferred for a child's college or graduate school education.</p> <p>Established by a state and managed by a financial institution.</p>	<p>Plan allows an individual to prepay some or all of a child's undergraduate college tuition at predetermined prices.</p> <p>Can be sponsored by a state or private college or university.</p> <p>Contract plans cover predetermined amount; unit plans cover percentage of college costs.</p>
<b>Advantages</b>				
<p>Assets controlled by the custodian. Income earned is taxed to the child (but if child is under age 18, kiddie tax rules apply).</p> <p>Account costs tend to be low; no trustee costs.</p>	<p>Can be created by either a parent or grandparent.</p> <p>Minor child unable to access the funds prior to age 21.</p> <p>Contributions qualify as present interest gifts for gift tax purposes.</p>	<p>Can be established by parents, grandparents, or family friends.</p> <p>Can be used to cover elementary and secondary school expenses, as well as college.</p> <p>Unlimited investment options.</p> <p>Can be rolled over to another ESA for same beneficiary or a family member beneficiary.</p>	<p>Professional management of account assets.</p> <p>Can be modified or rolled over to a new 529 savings plan once every 12 months without tax penalty.</p> <p>Account owners can change the plan beneficiary if the new beneficiary is a relative of the old beneficiary.</p>	<p>Future college tuition costs locked in at today's dollars, offering a form of guaranteed return.</p>

**College Savings Plan Comparison** continued

Custodial Account	2503(c) Trust	Coverdell Education Savings Account (ESA)	529 Savings Plan	529 Prepaid Tuition Plan
<b>Disadvantages</b>				
<p>No separate tax return required.</p> <p>Child gains complete access to the account between ages 18 and 21 (depending on state). Transfers are irrevocable.</p>	<p>Contributions are irrevocable.</p> <p>Trust remains in place until the child reaches age 21. Beneficiary designations can't be changed. Can be costly to establish, including attorney's fees and annual trustee fees.</p> <p>Trust must file an annual income tax return.</p> <p>Trust may be taxed at higher rate than donor</p>	<p>Income limitations on donor: Phaseouts are \$95,000–\$110,000 for singles; \$190,000–\$220,000 for married filing jointly. Generally, contributions only for beneficiary under age 18.</p> <p>Any remaining funds must be distributed when beneficiary reaches age 30, with earnings taxed as income, plus a 10-percent tax penalty.</p>	<p>No guaranteed rate of return.</p> <p>Earnings on distributions not used for education expenses are subject to federal income tax and a 10-percent penalty, plus possible taxes and penalties.</p>	<p>Beneficiary must attend plan's participating colleges in order to receive maximum benefit. Only covers undergraduate tuition costs.</p> <p>Most plans require all withdrawals be made within 10 years of time beneficiary starts college and by age 30.</p>
<b>Impact on Financial Aid</b>				
<p>Assets included in child's asset base.</p>	<p>Assets included in child's asset base</p>	<p>Assets included in parent's asset base. Qualified distributions not considered income of parents or student.</p>	<p>Assets included in parent's asset base. Qualified distributions not considered income of parents or student.</p>	<p>Not treated as an asset of either parent or child. Distributions reduce child's federal financial aid award, dollar-for-dollar.</p>

**ABOUT LECONTE WEALTH MANAGEMENT, LLC:**

Established in 2007 and located at 269 Cusick Road, Alcoa, Tenn., 37701, LeConte Wealth Management, LLC ([www.lecontewealth.com](http://www.lecontewealth.com)) helps clients develop a plan to accumulate and preserve their wealth in pursuit of their unique financial goals. With more than 30 years of cumulative experience, the firm's team provides asset management, retirement planning, estate planning, risk management and business planning. Securities and Advisory Services offered through Commonwealth Financial Network, Member FINRA/SIPC, a Registered Investment Adviser.

