

Pros and Cons of Prepaid Tuition Plans

The Motley Foll

By Elizabeth Brokamp

On a recent Friday my husband surprised me by coming home early — and he caught me in the middle of some illicit computer activity. No, it's not what you think; I was actually looking at our state's prepaid tuition program.

He glanced at the screen. "Why are you looking at *that*?" he asked, striving for an even tone.

"Why not?" I challenged back. You see, for my husband, the "strictly the facts" guy in our house, 529 prepaid tuition programs don't make much sense, especially compared to 529 college savings plans. He sees all the cons.

Prepaid tuition programs are exactly what the name implies: the chance to pay now and buy a certain number of educational credits/years of college at today's tuition rates. Or so the promotional materials like to say. But the truth is, you might pay more than today's tuition rates in the form of a premium, depending on your state's plan. Consider that for my husband and me to buy one year's worth of tuition (as well as mandatory fees) for our kindergartner in our home state of Virginia, we'd have to contribute \$9,333 to the Virginia Prepaid Education Program. Yet a year's worth of tuition and mandatory fees at William & Mary (my alma mater - go Tribe!) for the 2006-2007 academic year is just \$8,490.

Indeed, there's a fair-sized list of cons:

Cons:

But as in all stories, the cons are only half the picture. Here's the sunny side of prepaid college tuition plans.

Pros:

All of that is well and good, but if you've done more than a little bit of research on prepaid tuition plans, you'll know these pro and con lists are everywhere. What's missing from all the other lists is the psychology behind why some of us prefer prepaid tuition. Here's what you won't see on any other list. This is what I call "Elizabeth's Pros":

Want more information about alternatives to saving for college? Try:

Save for College or Retirement? Quit Saving for College

This article is adapted from the [Motley Fool Green Light](#) “Money Answers” archive, which features more than 100 articles on personal finance topics ranging from taxes to credit to beginning investing, organized by subject and life stage. For access to this content plus the current newsletter, back issues, members-only discussion boards, and advisor blogs, take a [free 30-day trial](#) today!

*Fool contributor [Elizabeth Brokamp](#) is a licensed professional counselor with a special interest in Robert Brokamp, editor of *The Motley Fool’s Rule Your Retirement* newsletter.*

This feature may not be reproduced or distributed electronically, in print or other wise without the written permission of uclick and Universal Press Syndicate.