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Dollars and Sense Workshops
High School Students

MONEY MANAGEMENT

- Money Management for Young Adults
- Creating a Budget
- The Impact of Income
- Credit Cards: What You Don't Know Can Hurt You

SAVING AND INVESTING

- Investing Your Way to Wealth

PAYING FOR COLLEGE

- Making College a Reality
- Bridging the College Savings Gap With Financial Aid
- Education Tax Credits and the Tuition Deduction

INSURANCE

- Insurance Checkup for College-Bound Students

For more information, go to www.calcpa.org/ask.

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WHAT DO YOU THINK?

Help us improve future Dollars and Sense workshops.

Please complete this survey and return it at the end of the meeting.

Please rate on a scale of 1–5 (with 1 "poor" and 5 "excellent"):

1. How would you rate this workshop?	1	2	3	4	5
2. How would you rate the information presented on:					
• Money Management for Young Adults	1	2	3	4	5
• Creating a Budget	1	2	3	4	5
• The Impact of Income	1	2	3	4	5
• Credit Cards: What You Don't Know Can Hurt You	1	2	3	4	5
• Investing Your Way to Wealth	1	2	3	4	5
• Making College a Reality	1	2	3	4	5
• Bridging the College Savings Gap With Financial Aid	1	2	3	4	5
• Education Tax Credits and the Tuition Deduction	1	2	3	4	5
• Insurance Checkup for College-Bound Students	1	2	3	4	5

3. Was there enough time to get your questions answered? ❑ Yes ❑ No

4. What did you like best about the workshop?

5. What did you like least about the workshop?

6. Would you recommend this workshop to a friend? ❑ Yes ❑ No

7. Was the workshop: ❑ Too short? ❑ Too long? ❑ Just right?

8. What did you learn that was new at the workshop?

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FINANCIAL FRAMEWORK: MONEY MANAGEMENT FOR YOUNG ADULTS

You can prepare for the rigors of managing a budget by discussing monetary issues openly with a trusted adult and learning the basics of personal finance.

FOCUS ON BUDGETING

The world is full of opportunities to spend. By developing a budget, you can control your money and limit your spending. A good starting point for creating a budget is to list all your sources of monthly income—job earnings, savings and parental support—and then list your estimated expenses for the same time.

Realistically identifying your living expenses in advance can be tricky. For starters, consider any cost that would coincide with education—whether you take just a course or two at the junior college or are attending a four-year school. Also consider expenses such as meals; entertainment; personal care items; laundry; telephone and Internet service; cab rides or car expenses; and clothes. Remember, budgets need to be flexible and can be revised after the first month or two.

Next, total your income and expenses. If your expenses are greater than your income, you need to find ways to increase your income stream, perhaps by taking on a part-time job or by reducing spending.

CREDIT CARDS CAN SPELL DANGER

With credit card companies aggressively targeting young adults, credit cards can be a major pitfall. Consider the pros and cons of using a credit card. For example, having a credit card for emergencies and for building a credit history is a good idea. But for some, access to credit is an invitation to overspend.

If you decide to get a credit card, be sure you understand how credit works and the importance of charging no more than the amount you can comfortably afford to pay each month.

Want to be on the safe side? Use a debit card for everyday expenses and reserve the credit card for true emergencies. Debit cards can give you all the convenience you need but are limited to the amount of money in your bank account.

CHECKING ACCOUNTS PROVIDE CONVENIENCE AND TEACH SKILLS

It's usually a good idea to open a checking account in an area convenient to where you will be spending most of your time.

Try to locate a bank that offers free or low-fee checking and has several convenient ATM locations to reduce out-of-network ATM fees.

Everyone should know how to balance a checkbook. It's a tedious job, but it's cheaper than bouncing checks. Find someone you know who can show you how they manage their checkbook so that the process will be familiar. For students who are attending college out-of-state, it is important to understand that out-of-state check deposits take a few days to clear.

SMART SPENDING SAVES DOLLARS

You can keep spending under control by looking for low-cost entertainment. Also, joining clubs and organizations ensures that you will have something to do and someone to do it with, and the expenses are far less than what could be incurred on a weekend shopping spree.

It's also a good idea to learn to comparison shop and economize. Clipping coupons, purchasing used goods, sharing cab rides, buying generic brands and renting videos instead of going to the movies are just some of the ways a savvy spender can save money.

Learning to manage money is an important part of adulthood. Budgeting, smart spending and limiting credit card use are excellent lessons that will help lead you toward a healthy financial future. $

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CREATING A BUDGET

Does it ever seem like your money just disappears? Putting together a simple budget—combined with diligent expense tracking—will show you exactly where your money is going.

A budget is a plan for coordinating income and expenses. There is no average budget to follow—your budget is unique to your financial situation. The type of budget that will work for you depends on the savings and spending priorities you set.

- Enter your net income or take-home monthly income.
- Next, enter your fixed expenses, such as car payments and rent.
- Now, enter your flexible expenses, using figures you gathered from a typical month, such as your phone bill or electricity bill.
- Now, enter your discretionary expenses, such as clothing and entertainment.
- Finally, enter the amount you put into savings. This is also a discretionary expense.
- Now total all of your expenses and your savings and subtract this total from your net income. If you have money left over, you may want to use it to increase your savings.

CATEGORY	MONTHLY BUDGET AMOUNT	MONTHLY ACTUAL AMOUNT	DIFFERENCE
INCOME			
Salary/Wages Job 1 (after taxes and other deductions)			
Salary/Wages Job 2 (after taxes and other deductions)			
Interest/Dividends			
Other Income			
INCOME SUBTOTAL			
FIXED EXPENSES			
Housing (Rent)			
Telephone			
Water/Garbage			
Health Insurance			
Car Payment			
Car Insurance			
Debt Payments (credit cards, loans)			
Other Fixed Expenses			
FLEXIBLE EXPENSES			
Groceries			
Transportation (gas, repairs, tolls, bus, etc.)			
Medical/Dental			
Utilities (heat, electricity)			
Education			
Personal/Family services (laundry, toiletries, haircuts, etc.)			
Long Distance Telephone			
Cable TV			
Other Flexible Expenses			

CATEGORY	MONTHLY BUDGET AMOUNT	MONTHLY ACTUAL AMOUNT	DIFFERENCE
DISCRETIONARY EXPENSES			
Savings			
Dining Out			
Clothes			
Furniture			
Gifts			
Entertainment/Recreation/Vacation			
Books/Magazines/Newspapers			
Charity			
Other Discretionary Expenses			
EXPENSES SUBTOTAL			
NET INCOME (income less expenses)			

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THE IMPACT OF INCOME

Newfound freedom and extra money to spend can be found by working a part-time job when you are in school. How well you handle your first paycheck may set a precedent for life.

SAVE AND SPEND WISELY

Once you start to receive a steady paycheck, it is important to save and spend effectively. In other words, develop a budget. Establish three categories: essential purchases, savings and discretionary items. You should take into consideration the essential items you expect your paycheck to cover. These may include car insurance, gas, telephone bills or school lunches. After establishing essential expenditures, set a savings goal, but be sure money is left over for fun.

MAKE SAVING A PRIORITY

Planning for future purchases can be a good learning experience. For successful savings, you should define your financial goal and develop a plan for saving toward that goal. For example, a goal may be to save money during the winter so you can plan on taking a vacation the following summer.

SAVVY SHOPPING SKILLS

It's helpful to comparison shop by checking prices with different retailers. You can save money by buying generic brands or shopping at thrift shops. If you feel you may be spending too much money on frivolous things, create an expense log showing exactly where your money is going.

You may not even realize how much money is being spent on snacks, entertainment and other activities. A computer program like Quicken, which is fairly inexpensive, can help you track your expenses and make budgeting easy.

THE REAL COST OF CREDIT

It's imperative to educate yourself on credit before finding your mailbox filled with credit card offers. Late or unpaid credit card bills can affect the ability to buy a house or car in the future.

It is crucial to identify the hidden costs of using a credit card. If a purchase is made for more than what can be paid back in one month, you will be subject to interest charges that add to the cost of the original purchase.

TAX TIME

Usually the first introduction into the world of taxes comes when you discover your paycheck was less than expected, thanks to income tax deductions. In addition to federal tax deductions, you can expect money to come out of your paycheck for Social Security and Medicare. In some states, such as California, deductions are also made for state income tax, unemployment insurance and state disability insurance. It's important to understand the responsibilities for paying taxes and, if required, filing tax returns.

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CREDIT CARDS
WHAT YOU DON'T KNOW CAN HURT YOU

You don't have to fall for credit card companies gimmicks.

While you may think you can resist the temptation of a credit card, many of your peers apparently can't. A student age 18 or older with no income can get a credit card without a parent's signature—and more than a handful do.

Used responsibly, credit cards can be helpful in an emergency and for establishing a credit history. Here are some tips on using credit wisely.

BE AWARE OF TEASER RATES

Credit card companies sometimes offer low introductory interest rates to attract new customers. These rates typically last for only a few months and then jump as high as 20 percent, so it's important that you carefully compare offers from several different issuers before selecting a card.

STICK WITH ONE CREDIT CARD

Just because it's easy to apply for multiple cards doesn't mean you should. This is especially tempting when department stores offer you discounts on purchases if you apply for a credit card. It's easier to manage one credit card and paying off only one bill at the end of the month. Besides, just applying for multiple credit cards can hurt your credit rating. Also, using one credit card to pay off another is a dangerous practice that should be avoided.

PAY IN FULL EVERY MONTH

Get in the habit of paying the balance in full each month, which means don't charge more than you can pay off at the end of the month.

PAY ON TIME

Send the credit card payment several days in advance of the due date to allow for mailing time. Late penalties are costly and some companies will increase the interest rate after one or two overdue payments.

AVOID CASH ADVANCES

Be aware that the interest rate on cash advances can be much higher than the rates charged on purchases.

PROTECT YOUR CREDIT HISTORY

As soon as you start using a card, the payments—whether paid on time, late or not at all—become part of your credit history. A poor credit history can affect your ability to rent an apartment, get a job, or buy a car or house. What's more, the mark stays on your credit record even if the bill is later paid.

DON'T EXCEED THE CREDIT LIMIT

This helps avoid penalties and ensures that you will have credit available in the event of a true emergency. A $2,000 credit limit doesn't mean you can afford to carry a $2,000 balance.

REVIEW STATEMENTS CAREFULLY

Immediately inform the credit card company of any discrepancies or errors on your monthly statement.

REPORT A LOST OR STOLEN CARD IMMEDIATELY

Keep a copy of your credit card account number and the financial institution's name and customer service telephone number in a convenient place in case your card is lost or stolen.

PROTECT PERSONAL INFORMATION

Never provide your credit card number unless making a telephone, mail order or online purchase. Also, don't let anyone else use your credit card and don't charge purchases for other people.

Learning how to use credit wisely now will help you avoid serious credit problems later.

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INVESTING YOUR WAY TO WEALTH

Do you want to be wealthy? Most people do. It usually takes a lot of patience, however, for most people to become wealthy. Most of us will not win the lottery, earn astronomical salaries playing for the NBA, or create a business in our garage that turns into Microsoft or Hewlett Packard. But if you are patient and use time to your advantage, you can accumulate wealth. You even could be a millionaire one day.

COMPOUND INTEREST

One way to reach this goal is by investing and saving wisely. Investing or saving in funds or accounts in which the interest is compounded eventually will double your money. The earlier you start your savings plan and the greater the interest rate, the sooner your funds will double.

Let's use an example to illustrate how compound interest can work to your advantage. How long will it take an initial investment to double at interest rates of 2 percent, 6 percent and 8 percent that are compounded annually? You really don't need a complicated formula to figure this out. All you need do is divide each interest rate into the number 72. Thus, it will take 36 years for your money to double at 2 percent compounded annually (72/2=36); 12 years at 6 percent (72/6=12); and nine years at 8 percent (72/8=9). So if you invest $10,000 in a fund at 8 percent interest compounded annually, the fund will grow to $20,000 in nine years.

RULE OF 72

Investors call this simple formula for doubling money the Rule of 72. It approximates how much time it takes for money to double at any interest rate that is compounded annually. You also can use the rule to figure what interest rate you need to reach a target. For example, if you would like to see your money double in 10 years, divide 10 into 72 to find a 7.2 percent interest rate.

Actually, your money will double much faster if you invest it in an account that compounds quarterly or monthly. You also would be wise to periodically deposit money into an account. That way, not only does the base—or original amount of money—double over time, so, too, does each additional amount.

PLANNING FOR WEALTH

Thus, a 22-year-old who initially invests $10,000 at 2 percent interest and adds $300 each month for 45 years will have almost $300,000 by age 67. If the money earns 6 percent interest, the amount would be roughly $1 million by age 67 and nearly $2 million if the interest rate is 8 percent. (We aren't considering interest rate fluctuations, inflation, fees or taxes here. Banks, for example, periodically adjust their interest rates up or down for savings accounts. Inflation lowers the value of money. And account fees as well as federal and state taxes on the interest earned each year can reduce overall earnings.)

MAKE THE MOST OF A 401(K)

A way to realize the gains that interest earned over time can provide is to contribute the maximum to tax deferred accounts like a 401(k) retirement savings plan. With a 401(k), your contributions are automatically deducted from your paycheck and reduce your current taxable earnings. You defer paying taxes on your plan contributions and earnings until you begin to make withdrawals, typically in retirement.

And, many employers match employees' contributions, which equates to getting free money from your employer. Employer contributions are added to your own savings and are not subject to the employee contribution limits.

A good savings and investment program should be part of your plan to accumulate wealth. Other things that you can do to help you toward that goal include getting a decent job, home ownership and the wise use of credit. If you do those things, it's possible to reach retirement age with at least $1 million in assets—and probably much, much more.

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MAKING COLLEGE A REALITY

Escalating college costs doesn't mean a college education is out of the question. The best way to ensure that funds are there when your children need them is to plan ahead and start saving now. See our "Building Your Savings—Ten Simple Strategies" fact sheet for savings tips.

However, if you got a late start on college savings or saw your investment portfolio dwindle in the latest economic downturn, don't despair. There are a variety of options available to you.

1. IMPLEMENT A SAVINGS BLITZ

Depending on how much time you have before enrollment, redoubling your efforts may enable your child to close all or part of the gap between your resources and tuition bills. And by continuing to tighten your belt during college years, you may be able to foot at least some of the bill through current income. In addition, some schools offer tuition management services that, for a fee of about $50, allow you to spread the school's annual tuition into eight or 10 monthly payments.

In addition, state-sponsored savings plans—such as the 529 savings plan—offer significant tax breaks and other advantages. While contributions to a 529 plan are not federally tax deductible, the earnings grow tax-free. Distributions from a 529 plan are also tax-free (through the year 2010 at least), as long as the money is used to pay for higher education expenses.

Most plans allow you to invest a lump sum, deposit funds periodically or sign up for an automatic investment program that deducts a specified amount from your bank account on a monthly basis.

Generally there are no income limitations for opening a Section 529 plan. Everyone is eligible to participate and the amount you can contribute is substantial. Since most states don't have an annual cap, it's possible to contribute $11,000 each year without triggering any gift taxes. (Visit *www.calcpa.org* for more information on Sec. 529 plans)

2. APPEAL FOR ADDITIONAL FINANCIAL AID

There are three major types of financial aid: scholarships or grants that do not have to be repaid; student or parent loans that must be repaid (usually after graduation); and work-study arrangements.

Financial aid is based primarily on two factors: the school's cost of attendance—which includes tuition and fees, room and board, personal expenses, books and transportation—and your family's ability to pay. That means if two families have exactly the same financial circumstances (and that is highly unlikely), one student could receive financial aid, and the other not, simply because one school costs more.

When you apply, the financial information you provide is keyed into a federal formula that takes into account your family income, assets, family size, number of children in college and other factors. It also calculates the amount you and your family are expected to contribute toward the education cost. If this amount is less than the total cost of attendance, you've demonstrated need and are eligible for aid. If your family has special financial circumstances, such as high medical bills or loss of employment, that are not apparent in the numbers you submit, you should send letters of explanation to the financial aid offices of the colleges to which you apply.

3. SEEK OUT SCHOLARSHIPS

Your son or daughter doesn't have to be a straight A student or a star athlete to qualify for a scholarship. Many are available to students with special interests or skills. For example, scholarships are available for Swedish Americans who play the oboe and camp counselors who plan to study special education. Of course, these scholarships aren't always easy to find. The Internet is a good place to start and your child's high school guidance can help.

4. TURN TO GOVERNMENT LOANS

Although some parents are reluctant to take on additional debt, federal student loan programs can be a relatively inexpensive source of education funds. Federally funded Parent Loan for Undergraduate Students allow creditworthy parents of college students to borrow up to the full amount of tuition. The interest rates on PLUS loans are variable with a 9 percent cap and you must begin repayment 60 days after the funds are disbursed.

Stafford loans are available for students. A freshman can borrow $2,625; the maximum loan amount increases to $5,000 by the time your student is a junior. In most cases, repayment begins six months after graduation.

5. TAP YOUR HOME EQUITY

With mortgage rates at historic lows, a cash-out refinancing or home equity loan are attractive alternatives that offer a lump sum payment you can use to meet college costs. This strategy works particularly well for families who have insufficient cash flow, but a good deal of equity in their homes. As an added benefit, the interest you pay may be tax deductible. However, borrowing against your home is a decision not to be taken lightly—failure to meet payments could put your home at risk.

6. FOCUS ON LESS EXPENSIVE SCHOOLS

Comparison shop when looking at schools. In some instances, location may cause a school to be more reasonably priced than another school. Also, public state colleges are less expensive than private schools, particularly when the student qualifies for resident tuition rates. Attending an in-state school also can defray travel expenses and long-distance phone bills. Another popular option is to attend a community college for the first year or two and then transfer to a brand-name four-year school.

7. THERE'S NO SUCH THING AS A RETIREMENT LOAN

A word of caution: do not use retirement savings to pay college tuition. More resources are available for funding an education than for financing a retirement. In addition to the tax implications of withdrawing from retirement savings, you're giving up valuable earnings.

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BRIDGING THE COLLEGE SAVINGS GAP WITH FINANCIAL AID

If you're a high school senior who is planning to attend college, it's not too early to start thinking about financial aid. The Free Application for Federal Student Aid (FAFSA) can be submitted Jan. 1 of the year you intend to enroll, and no matter what time of year it is, there are steps you can take to familiarize yourself with the process.

DON'T ASSUME YOU WON'T QUALIFY

Since most families qualify for some financial aid, you should apply even if you don't think you are eligible. Families earning more than $100,000 have been known to get aid, particularly if there are two or more family members in college at the same time.

Even if you don't qualify for federal income grants, you may be eligible for work-study programs or scholarships. You also may need to file a FAFSA to qualify for federal low interest loans, such as the Parent Loan for Undergraduate Students (PLUS) that is available to any family regardless of income.

UNDERSTAND THE EFC

The amount of aid you receive depends on the cost of attending a particular college minus your expected family contribution (EFC). The key factors used to determine your EFC are your family's income and assets, the student's assets and the number of children in college. Unusual circumstances such as a death, loss of job or high medical bills also can impact the aid formula. In such cases, you should submit a letter to the school's financial aid office explaining the situation.

TACKLE THE PAPERWORK

The deadlines vary from school to school, but the earlier you apply, the better. The Department of Education requires parents to complete the FAFSA to apply for federal aid, and all state student-aid agencies require this form as well. FAFSA forms are available from your high school or by calling (800) 4 FED AID. You also may complete the form online at www.fafsa.ed.gov. As its name implies, there is no charge for filing this form.

Within four weeks of completing the FAFSA, you should receive a Student Aid Report (SAR). The SAR contains important information, including your EFC. Read the form carefully to verify that all the information is correct.

In addition to the FAFSA, some private colleges require you to complete a second form called the CSS Financial Aid Profile. The CSS Profile is a more in-depth analysis of your financial need, taking into account such factors as the equity you have built up in your home.

SPENDING ASSETS WISELY

When your family's financial need is evaluated, the student's savings are given more weight than parental assets. It therefore makes sense to purchase big-ticket college-related items, such as a computer, from the student's savings before filing the financial aid forms. Lower assets generally equal more aid.

Parents might consider building their retirement savings accounts. Retirement savings usually aren't counted as an asset when calculating your eligibility for aid. And contributions to a 401(k) reduce taxable income, which could increase the amount of aid you qualify to receive.

CAREFULLY EVALUATE OFFERS

The financial information provided on the FAFSA and on other financial aid forms are sent to the colleges you indicated and processed by those schools that accept the student. The school's financial aid officers will prepare an aid package, most likely a combination of scholarships, grants, work-study programs and loans. In most cases, a description of the financial aid package is included with the student's acceptance letter. Be sure to evaluate these financial aid packages carefully. Obviously, scholarships and grants that do not need to be repaid are preferable to loans.

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FINANCIAL AID

GRANTS AND LOANS

The federal government has two large grant programs—the Federal Pell Grant and the Federal Supplemental Educational Opportunity Grant—as well as a Federal work-study program that provides student employment during the academic year.

There are also several need-based, government-subsidized loan programs for students, including Federal Perkins Loans, Stafford Loans, and Federal Direct Loans.

The Federal Parent Loan for Undergraduate Students allows creditworthy parents to borrow the total cost of their child's education, less any financial aid awarded to the student. For more information on PLUS, go to *http://studentaid.ed.gov* or call (800) 433-3243.

Beyond these federal sources, some colleges and universities themselves provide financial aid, as do some state and community organizations.

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EDUCATION TAX CREDITS AND THE TUITION DEDUCTION

When it comes to reducing your tax liability, the more questions you ask, the more you can learn and save. Here's how the college tuition deduction and education tax credits work.

WHAT DO I NEED TO KNOW ABOUT THE HOPE SCHOLARSHIP CREDIT?

The Hope Scholarship credit amounts to 100 percent of the first $1,000 of a college student's tuition and fees (not including room and board or books) plus 50 percent of the next $1,000 at an eligible educational institution. So the maximum credit is $1,500 for each qualifying student per year. The Hope credit can be claimed for each of the first two years of college studies for each student. Students must be enrolled in a degree or credential program for at least half the normal full-time workload for their courses of study for at least one academic period beginning during the year.

WHAT ARE THE INCOME LIMITATIONS FOR THE HOPE CREDIT?

The Hope credit is gradually reduced if your modified adjusted gross income (MAGI) exceeds $42,000 for single filers and $85,000 for joint filers. Once a single filer's income reaches $52,000, the credit is eliminated; for joint filers, the cap is $105,000. Regardless of your income, you cannot claim the credit if you are married filing a separate return.

WHO QUALIFIES FOR THE LIFETIME LEARNING CREDIT?

The Lifetime Learning credit is designed to help subsidize college expenses after the first two years. This credit, which is less restrictive than the Hope credit, is equal to 20 percent of qualified expenses. The maximum amount of qualified tuition and expenses that can be used to calculate the Lifetime Learning credit is $10,000; therefore, the maximum credit is $2,000 for 2004. The income phase-out rules are the same as for the Hope credit.

The Lifetime Learning credit maximum is calculated per taxpayer and does not vary based on the number of students in a taxpayer's family. Keep in mind that it doesn't matter whether the student attends college full or part time or whether a course leads to a degree. The credit is available in any year the Hope credit is not claimed for the same eligible student and is available for an unlimited number of years.

WHAT IF TWO OR MORE CHILDREN ATTEND COLLEGE FOR THE FIRST TIME?

A Hope credit of up to $1,500 can be claimed for each qualifying student. For example, if you have twins who are both college freshmen, you can claim a Hope credit for each, for a total of up to $3,000. However, the Lifetime Learning credit has an annual limit of $2,000 per family, regardless of how many household members are eligible.

HOW DOES THE DEDUCTION FOR COLLEGE TUITION WORK?

Higher-income taxpayers who expect to receive little, if any, benefit from the Hope or Lifetime Learning credits may be able to get some help from the relatively new tax deduction for college tuition. If your MAGI is less than or equal to $130,000 if you're married and filing jointly, or $65,000 if you are a single filer, you can deduct up to $4,000 of college tuition and fees paid for you, your spouse or dependents for the 2004 and 2005 tax years. This is an above-the-line deduction, which means you don't have to itemize to claim it.

Those with MAGIs between $130,000 and $160,000 (joint) and $65,000 and $80,000 (single) can claim a deduction of up to $2,000 for the year. The deduction is not available to those with MAGIs that exceed these ranges.

These amounts are scheduled for repeal after 2005, however.

Keep in mind that you cannot take the tuition deduction and claim a Hope credit or Lifetime Learning credit for the same student. Like the tax credits, you cannot claim the deduction if you're married and filing separately from your spouse.

EDUCATION TAX CREDITS

HOW DO I CHOOSE BETWEEN THE TUITION CREDITS AND THE DEDUCTION?

It's important to remember that the most lucrative education tax breaks are the Hope Scholarship credit and Lifetime Learning credit. Tax credits are always more valuable than deductions. A $1,000 credit saves you $1,000 in taxes. In the 28 percent bracket, a $1,000 deduction would only save you $280.

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INSURANCE CHECKUP FOR COLLEGE-BOUND STUDENTS

As students head off to college with expensive computers, televisions, stereo equipment and bicycles in tow, it's important that parents add an insurance review to their preparation checklist. A review of your homeowners, auto insurance and health insurance policies can help to ensure that your college-bound student is properly covered while away from home.

Check on Homeowners or Renters Insurance
If your college student lives in a dorm and is still considered a dependent, the family's homeowners insurance policy should provide coverage for possessions taken to school. Typically, protection of property away from home is limited to 10 percent of the personal property limits on the family's homeowners insurance policy. For example, if the contents of your home are insured for up to $75,000, property away from home would be covered for $7,500, less your deductible. Bear in mind that adequate coverage of high-ticket items such as jewelry, computers or stereo equipment may require a "personal articles floater" or "rider." Check with your agent to be sure.

When your child moves off campus, they most likely won't be covered by your homeowners insurance. At that point you may want to consider if renters insurance is something you are interested in.

It's a good idea to take an inventory of the items the student is bringing to school. This inventory should include photographs or a video of the items; a record of the model or serial numbers; and receipts. As an added precaution, the National Association of Personal Insurance Agents recommends engraving valuable items, such as computers and stereo equipment with the student's driver's license number and state of residence. This makes it easier for law enforcement personnel to track down the owner of stolen property.

NOTIFY YOUR AUTO INSURANCE AGENT

Your family auto insurance policy will most likely cover a car that your child takes to college as long as the vehicle is registered with you, the parent, as owner. However, since the car's new locale might make a difference in your premiums, it is important that the insurance company be notified that the car will be garaged at another location.

If your college-bound student is heading for a campus at least 100 miles from home and is not taking an insured vehicle, your family might be eligible for a reduction in auto insurance premiums. Again, check with your agent.

CHECK YOUR HEALTH INSURANCE POLICY FOR APPROVED PROVIDERS

Most colleges offer student health insurance, but before purchasing a policy through your child's college, check your family health insurance policy to determine if you would be duplicating medical coverage.

If you plan to rely on your existing health insurance plan, you need to do some careful investigation, particularly if you're covered by an HMO or PPO. These plans typically have approved health care providers. Be sure that you review your plan's approved list of physicians and hospitals in the area where your child's college is located. Using the services of an out-of-network physician or hospital may mean that your costs are not covered or are covered at a lower rate.

If your child is going to school in an area that is not served by your managed health care provider, call your insurance company and ask what provisions, if any, your policy has for such circumstances. Most have some method of covering at least emergency care while out of network. In any case, be sure your child has the policy information he or she needs, as well as his or her medical plan identification card.

College is expensive enough. To avoid any unexpected losses, determine how your property, auto and health insurance cover your away-from-home college student.