

OUR EDITORIAL

Help families help themselves

Lawmakers should pass bills that would encourage and assist families in saving for college, special health needs

Many families are concerned with the growing expense of a college education. Health care costs are also on the rise. The ability to put money aside now can ease future financial burdens.

A number of bills in the state House would encourage parents to participate in two savings programs.

One bill would more than double the maximum contribution a parent can make to the Michigan Education Savings Program. The college education fund would top out at \$500,000, from the current \$235,000 limit.

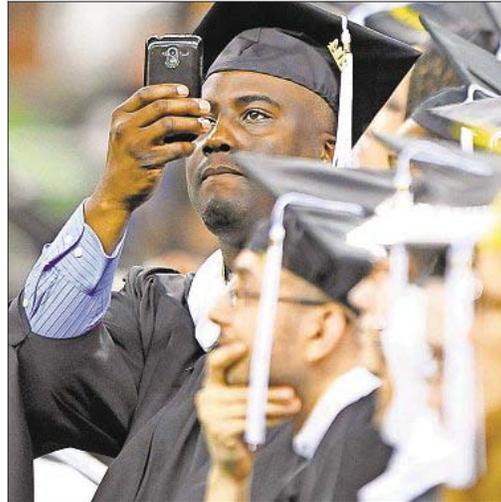
Other legislation would create the Achieving a Better Life Experience, or ABLÉ, savings program for people who want to put money away for a son or daughter with a disability. The maximum contribution would also be set at \$500,000.

Expansion of the education program and establishment of ABLÉ were made possible by recent changes in federal law, which will allow tax breaks for people who invest in the funds.

From the federal standpoint, individuals can contribute up to \$14,000 a year to either program and have the interest grow tax-deferred. When distributions are taken, if they meet the requirements of the program, then the interest earned is tax free.

Rep. Anthony Forlini, R-Harrison Township, a supporter of the legislation, says Michigan has added a special feature. For state income tax purposes only, parents can invest up to \$10,000 of pretax money and another \$4,000 in funds already taxed. From the federal income tax standpoint, all money contributed to the programs must be post-tax funds.

Both programs limit the establishment of a fund to children under 26 years old. However, since ABLÉ is new, there will be an exception to this rule. People with disabilities who are older than 26 and can prove they have had a "qualified" disability before that age also may have an ABLÉ fund established for them. These could include military veterans who suffered debilitating injuries in the service,



Daniel Mears / The Detroit News

A college education is expensive. Parents should be encouraged to plan ahead for their children.

individuals hurt in an accident as well as those who have been disabled since birth. The federal government is still tabulating the list.

Forlini said most states are considering similar programs, but Michigan is one of the pioneers.

"What's really good about these programs is they self-empower people to take care of themselves and their kids," Forlini says.

The costs of education and health care will continue to climb in the years ahead, and any savings parents are able to put aside now will help reduce future expenses.

The proposed bills would provide incentives, through tax breaks, for parents to put money away for their children's education or health care. Families should have that opportunity.