Wi$e Up Teleconference Call
July 31, 2007
Paying for Higher Education and Repaying Student Loans
Questions & Answers

Jane Walstedt: I know that we're almost at the hour, but I'm going to let the call extend a little bit so some of the listeners have a chance to ask questions. I know, Maureen, you said you couldn't stay past 3:00 Eastern Time, but if the other two of you can stay, then I will entertain some questions at this time, if Barb, the operator, will come on and tell us how to ask a question.

Coordinator: Yes, and thank you.

We will now begin the question and answer session.

If you would like to ask a question, please press *1. Please unmute your phone and record your name clearly when prompted.

Your name is required to introduce your question. If you need to withdraw your request, press *2. Again to ask a question or make a comment, press *1.

Our first question comes from Monique Hanna. Your line is open.

Monique Hanna: I'm interested…. Thank you very much. The presentations were all very good.

Is it possible to start a 529 plan if you are planning to have children but you don't have them as of yet? And if so, how would you do it?

Jane Walstedt: Are you still there, Maureen?

Maureen O'Brien: Yes, I am. I can go ahead and take that question.

Yes, and in fact many people do open 529 accounts before they have children, and it's really easy to do. Basically, what you would do is you would list yourself as the account owner, but you would also list yourself or your spouse as the beneficiary.

When you do have children, it's very easy to change the beneficiary, and that's really all you need to do is request a change in the beneficiary, and you would then take off your name or your spouse's name and put your child's name.

You'll need a Social Security Number, so as soon as you get that--usually within six months of the baby being born--you provide the state or the mutual fund company with the Social Security number, and you're really, you're all set. So that's even better than starting when they're born-- to start before they're born. So, excellent.

Monique Hanna: Okay, okay.

And just a follow-up to that question--I know we're short on time-is it… when you do move from state to state, what happens to the 529 plan that you start? Let's say you're in Delaware and then move to Maryland. What happens to the 529 plan that you started in Delaware?

Maureen O'Brien: That's a great question.

Actually, you can keep your account open if you move. There's no mandate that you would have to close it. Now you may lose some state tax benefits if you move to a state…move to another state besides where you originated the account. You might want to take look at the state plan for the state that you're now living in and see what they have to offer. You can have more than one

529 account in more than one state. So that's really not a problem, and sometimes many people do that if they want to diversify the fund managers. There's a lot of reasons to do it. So the thing with 529 plans is that they're very, very flexible. And so there you have lots of options.

Monique Hanna: Okay, great.

Thank you.

Jane Walstedt: Thank you.

Barb, do we have another question?

Coordinator: Yes. We have a question from Veronica Robertson, and your line is open.

Veronica Robertson: Thank you.

The presentation was awesome.

I would like to ask David. Would you give me the second income tax saving strategy? I got the first one, but I didn't get the second one.

David Frisch: Okay. Which one did you get?

Veronica Robertson: The credit. The Hope Credit.

David Frisch: Okay, the Hope and the Lifetime Learning Credit.

Veronica Robertson: Okay, thanks.

David Frisch: They're the two types of credits, and then the student loan interest deduction and the tuition and fees deduction were the other two.

Veronica Robertson: Thank you.

David Frisch: You'd literally - where I am looking at one of my outlines…[that] came from Publication 970 on www.irs.gov.

Jane Walstedt: I want to remind the listeners that these calls are being taped. They will be put up in audio form and Word form and [PDF] form on the Wi$e Up Web site as soon as we receive the transcript and edit it. So if you missed something--I know there's a lot of information to absorb--you can look at the Web site-- the Wi$e Up Web site--afterwards.

Is there another question, Barb?

Coordinator: I'm showing no further questions.

Oh, we have a question from Suzanne Roberts. Your line is open.

Suzanne Roberts: Hi, how are you doing today?

I just wanted to say that you gave a really wonderful presentation. And I had a quick question. I have a friend of mine who's interested in going… who's an older person in their mid 30s who's interested in going to medical school and is looking for, you know, already has an MBA and about $100,000 worth of student loan debt and is interested in trying to find a way of moving forward towards that goal.

Jane Walstedt: Do any of our speakers have a comment on that?

Pam Krueger: I have a question for…is it Suzanne, right?

Suzanne Roberts: Yes. Uh-huh.

Pam Krueger: This is Pam Krueger from MoneyTrack. I gave the overview.

I wonder if your friend is going to be attending a school where she might want to approach the school first, because it is such a specific area of study.

Suzanne Roberts: Uh-huh.

Pam Krueger: I find that schools like medical schools, law schools, they're sometimes the best source for helping you plug, helping her in this case plug the gap.

Suzanne Roberts: Right.

Yes, and actually I think her mother had indicated that as well. Because the… one of my questions is, "How do you account for the difference between not having an income and then going back to school when you don't have an income versus having an income?"

And how do you mitigate the difference, and what sort of financial strategies would you recommend that family taking to support the process early on? I heard the idea of taking out a 529 plan under your name as a strategy to assist with, you know, if you're earning income now. But I was just curious if there are other sort of, you know, [strategies], and then the scholarship search, if there are other tips or tricks, you know, other than winning the lottery that you recommend?

David Frisch: I guess I can help you a little bit on that. Number one, when they're looking to go to medical school, there are a couple of things that are available depending on what you do. For example, there are some people that go, let's say, to the Army National Guard…

Suzanne Roberts: Uh-huh.

David Frisch: …after medical school. And the army or the government will effectively pay X amount of dollars and forgive some of the loans.

Suzanne Roberts: Uh-huh.

David Frisch: So there are volunteer programs from AmeriCorps to the Peace Corps to Volunteers in Service to America [VISTA] that all can ultimately reduce [contribute to] the amount of loan forgiveness. But it's again looking at it school by school. It's looking at loans, and it's also, you know, the biggest thing that the family really needs to try to do while they're working and before they go back to medical school is to try-- in terms of cash flow planning-- cutting expenses to the absolute bones, so that there's enough there that they can hopefully finance their expenses for as long as possible. Something like that, you know, again is a very typical time when families leverage parents or grandparents as well in terms of help.

Suzanne Roberts: Uh-huh.

Pam Krueger: Another option. This is Pam again with MoneyTrack. We didn't have time to touch on this but, you know, certainly when you're looking at money you might have already accumulated from having a 401(k) or home equity. Again, there are downsides to tapping into savings that you already have.

Big serious downsides, but there are also some tax benefits that could work for someone who expects to have an income of, you know, I mean a real high income, you know, coming out of like a medical school or something like that where you're talking about probably earning, you know, a couple a hundred thousand dollars a year.

It kind of changes the strategy a little bit I think. The approach you take can change…

Suzanne Roberts: So raiding the 401(k) and draining that would be an option under those circumstances, that's sort of what you are implying?

Pam Krueger: It may or may not be, and it's something that you want to sit down, Suzanne, and really look at. But, you know, this is something that's available.

Jane Walstedt: Would both of you suggest maybe consulting with a financial adviser or an accountant?

David Frisch: Absolutely, absolutely.

I mean your individual situation, your friend's individual situation, really you need to go into more detail in terms of getting a much better answer.

Jane Walstedt: I want to remind our listeners too that we also send the questions to our Wi$e Up mentors whose names are listed on the Web site so you get the benefit of additional answers if you'll check the Wi$e Up Web site in the future.

Barb, do we have any other questions? If not, I'm going to wrap it up.

Coordinator: Yes, we do have several more.

I have a question from Metesa Greene. Your line is open.

Metesa Greene: Hello, thank you so much for the opportunity to ask questions, and I appreciate all the information.

I wanted to find out, for those who are actually repaying student loans and have exhausted their income sensitivity deferment or make too much to qualify for deferment or forbearance, are the any options for them because they are not able to pay the higher amount that's required?

Jane Walstedt: Do either of you have a comment on that? Because if not, I can send that to the mentors - that question--for an answer.

David Frisch: It's a tough one, and there's a lot more information that ultimately I would need to know to really approach the question. So I think for time's sake that might be a good idea, Jane.

Jane Walstedt: Maybe what we'll do since there are several more questions is, Barb maybe you can let people ask their questions--since we're kind of running low on time--and then I'll ask Pam and David and Maureen if they'd be kind enough to supply the answers after the fact, and we'll put them in the transcript…

Pam Krueger: Absolutely.

Jane Walstedt: …on the Web site and we'll also send them to the mentors. [Note: Please check for answers to this question in the Expert Answers section of www.wiseupwomen.org.]

Pam Krueger: Right.

The one thing--this is Pam--and the one thing I would offer that is a general statement, but it's true and has to be kept in mind, is that there are so many available options to consider for paying back student loans. There's so many different permutations around it. And the point is if you keep exploring, you're going to find something that fits you, something that will work for you.

Jane Walstedt: Okay.

Barb, let’s just let…hopefully there aren’t too many…

Coordinator: Okay.

Jane Walstedt: …people ask their questions and we will post answers with the transcript after the fact.

Coordinator: Okay, we have a question from Monique Hanna.

Monique Hanna: Hi, I asked a question before, but I had another thought. I'm actually one of those people who has medical school loans, and I think it’s sort of a misconception that you're going to make enough money to be able to live well and to have this abundance of resources just because you went to medical school.

One of the things that I have a question about is I ended up consolidating my medical school loans and I actually in some ways wish that I hadn’t because 10 years later I could have been finished paying them off [if I had paid them] separately for 10 years. But now I have a consistent payment spread out over 30 years. And I'm wondering [are] there any options that I have in terms of looking at the sort of way that I consolidated my loan? Or do I have any other options, besides doubling up on my own to pay them off?

Jane Walstedt: Okay. Thanks, Monique.

We'll get the answer to that posted with the transcript. [Note: Please check for answers to this question in the Expert Answers section of www.wiseupwomen.org.]

Barb, is there another one?

Coordinator: Yes, we have a question from Emi Lee. Your line is open.

Emi Lee: Hi. I was just wondering if Pam could repeat the resources with the scholarships, financial aid, and loans?

Pam Krueger: Yes, there is www.FastWeb.com – F, A, S, T, W, E, B – and they have a search engine that allows you to plug in and really see, you know, specifically, you know, where you fit with the best possible scholarship available.

And then www.FinAid.org is for financial aid and www.FederalStudentAid.ed.gov for Federal student aid. Those are the three, but the FastWeb is specifically for scholarship searching.

And I personally use it myself and I have friends who are students who have used it and have, you know, a lot of success and it doesn't cost anything.

Jane Walstedt: Great, okay.

Barb, any more questions?

Coordinator: And the last question comes from Delores Stewart.

Jane Walstedt: Go ahead, Dolores.

Delores Stewart: Hi, thank you.

I was just wondering if you could comment on MyRichUncle [student loans]or the Loan to Learn loans that are now being advertised.

Jane Walstedt: Do either of you know anything about that?

Pam Krueger: These are commercial loans, right?

Delores Stewart: Well, the MyRichUncle is partnering with Princeton Review. Yes, it's commercial.

Jane Walstedt: Uh-huh.

It doesn't sound like either of you know about these. David or Pam?

David Frisch: I would just say have your rich uncle over for dinner as much as you can…

Pam Krueger: Yeah, really.

I…you know what, let's find a place where you can rank these and these types of loans, these types of private loans. And that's a really good question about how do you really evaluate the Bank of America or, you know, another very, very well-known bank against something like MyRichUncle which pops up out of nowhere.

Delores Stewart: But it's on Bankrate at a higher rate than the bank loans.

Jane Walstedt: Okay, well what we'll do is we'll try to get back to you and that will give our two speakers that are left here and the mentors a chance…to give them some time to think about a good answer. [Note: Please check for answers to this question in the Expert Answers section of www.wiseupwomen.org.]