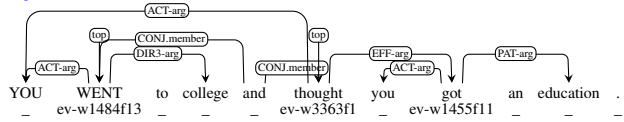
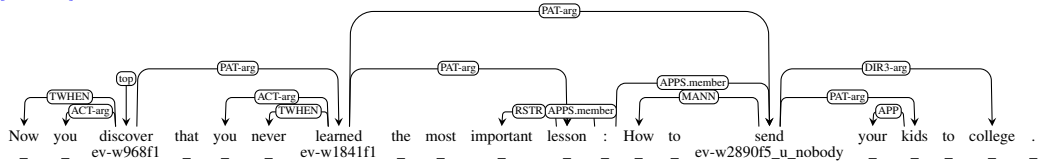


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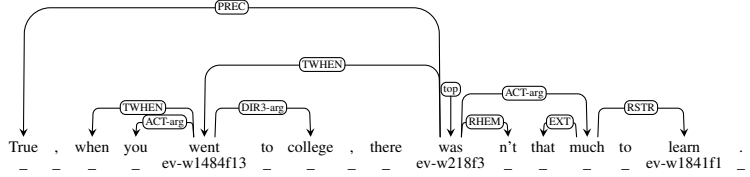
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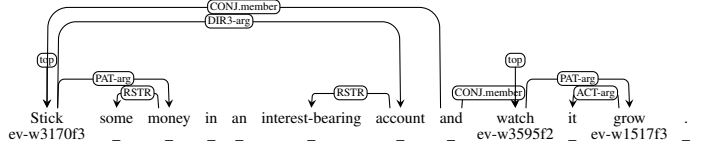
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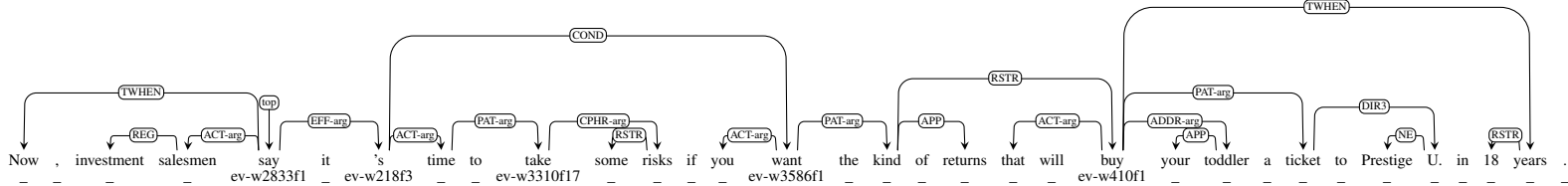
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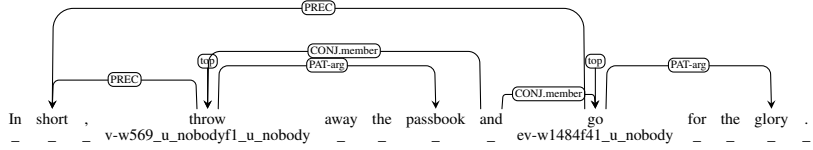
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[21569005]



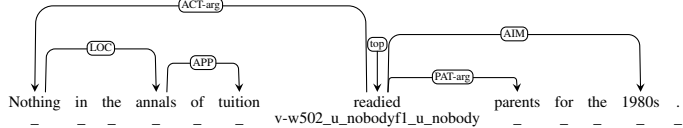
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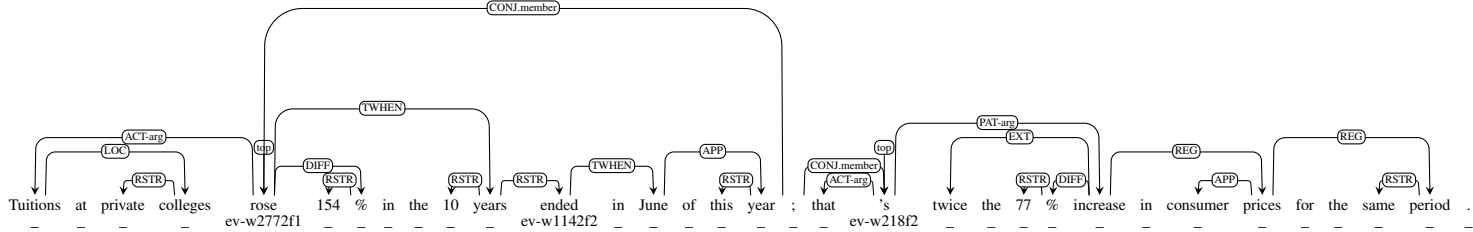
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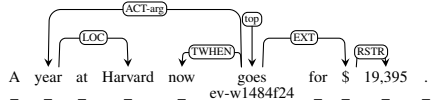
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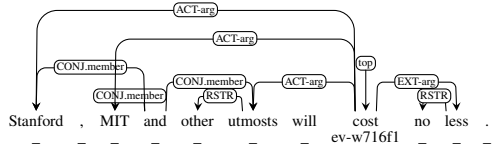
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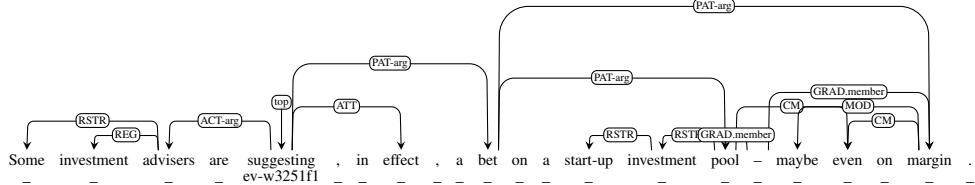
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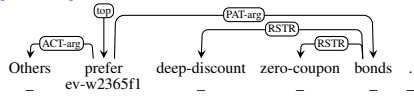
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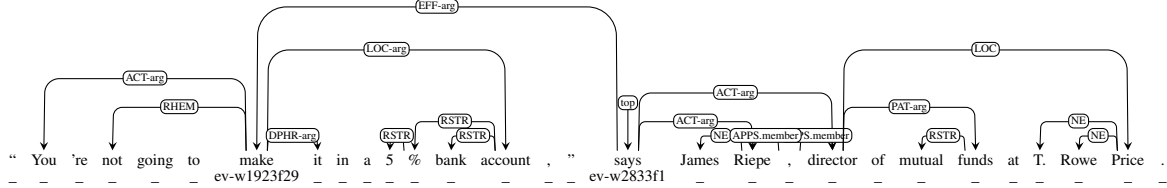
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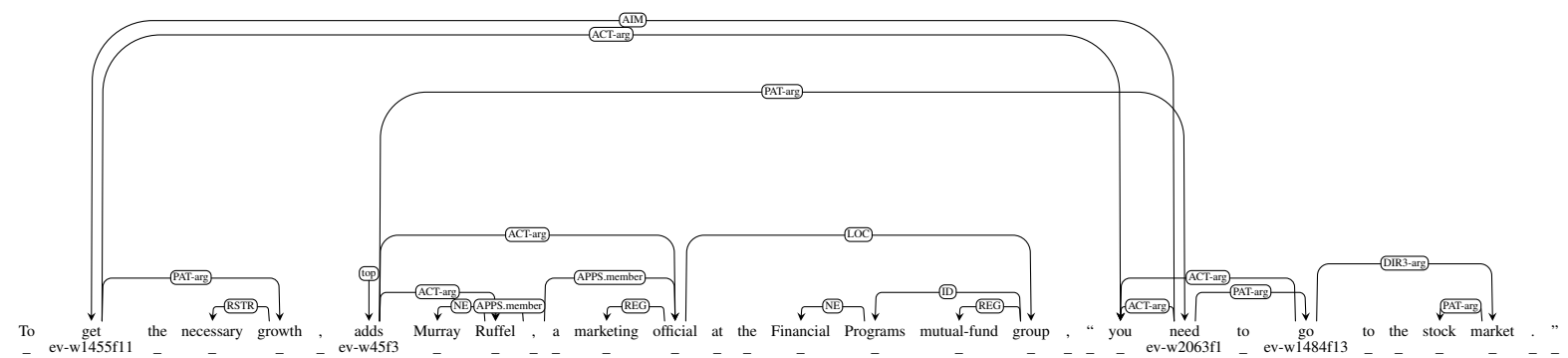
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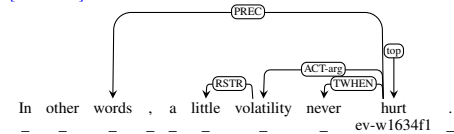
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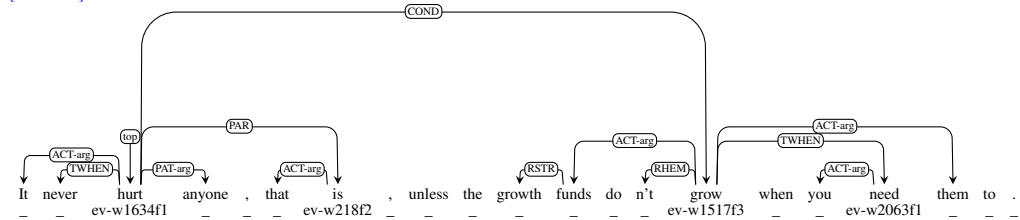
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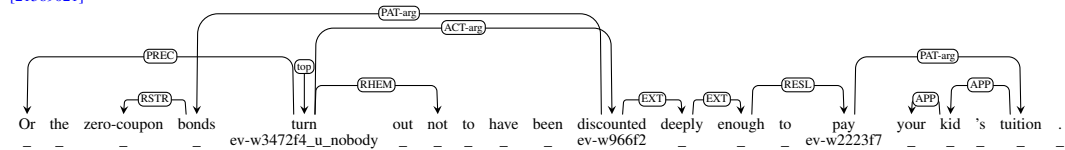
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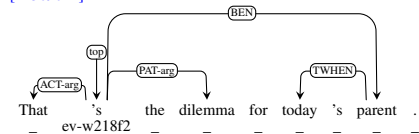
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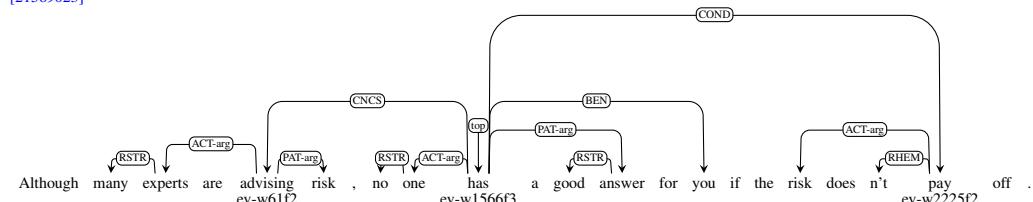
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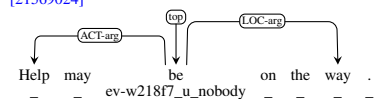
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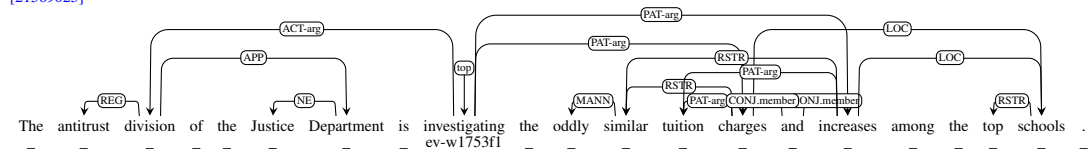
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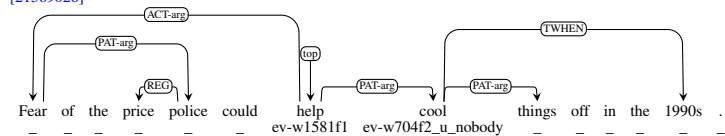
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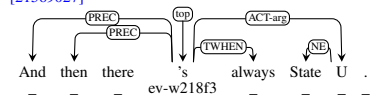
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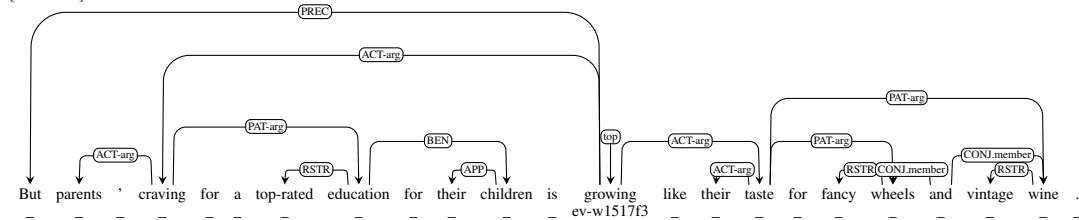
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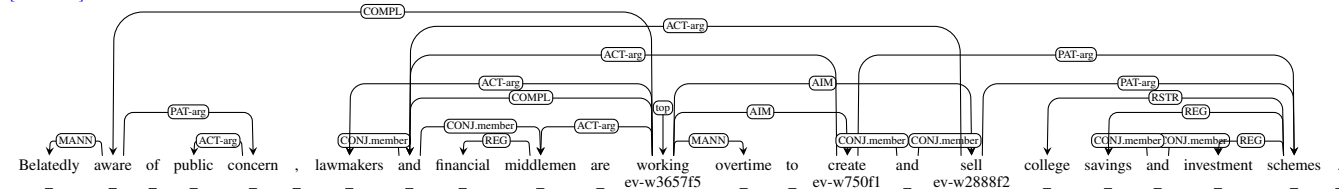
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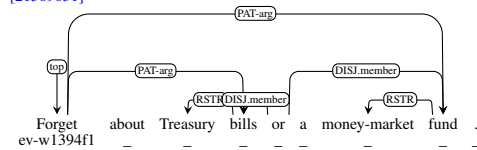
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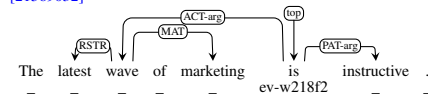
[21569029]



[21569031]



[21569032]



[21569033]

Several outfits - including the Financial Programs , Franklin , and T. Rowe Price mutual-fund groups and the Edward D. Jones brokerage house - are advertising " college planner " tables and charts that tell you how much you need to put aside regularly .

[21569034]

The calculations generally rely on an after-tax rate of return of 8 % annually - a rate historically obtainable by the individual in only one place , the stock market .

[21569035]

Most of the mailers are free , but Denver-based Financial Programs sells , for \$ 15 , a version customized to the age of the child and the college of choice .

[21569036]

The figures are shocking .

[21569037]

To build a nest egg that would pay for Stanford when a current first-grader reaches college age , parents would need to set aside \$ 773.94 a month - for 12 years .

[21569038]

They can cut this to \$ 991.09 a month if the investing keeps up through college .

[21569040]

Plugging a cheaper college into the formulas still does n't generate an installment most people can live with .

[21569041]

Using a recent average private-school cost of about \$ 12,500 a year , T. Rowe Price 's planner prescribes \$ 450 monthly if the plan begins when the child is six .

[21569042]

Since the formula assumes an 8 % before-tax return in a mutual fund , there would also be \$ 16,500 in taxes to pay over the 12 years .

[21569043]

Not everyone is so pessimistic .

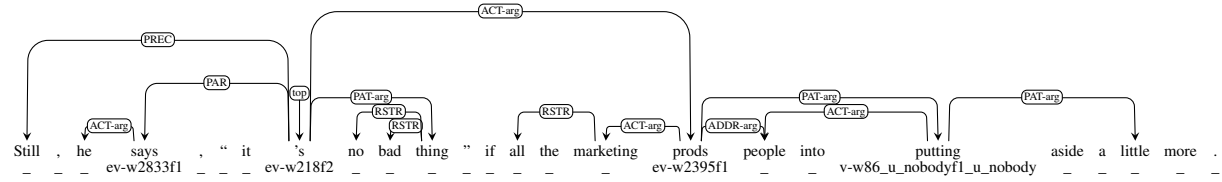
[21569044]

" People are basically peddling a lot of fear , " says Arthur Hauptman , a consultant to the American Council on Education in Washington .

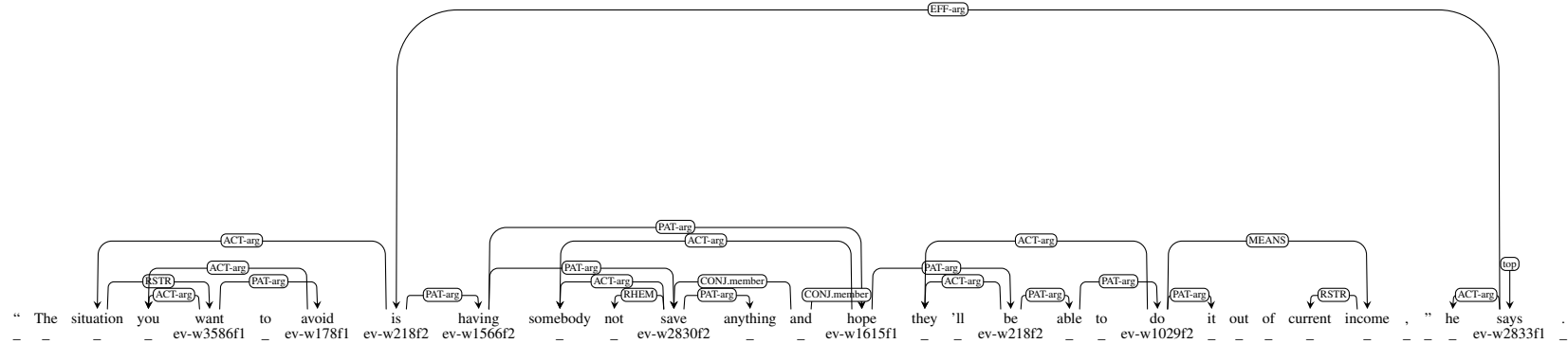
[21569045]

He takes issue with projections that do n't factor in students ' own contribution , which reduces most parents ' burden substantially .

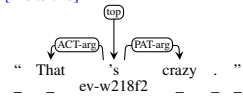
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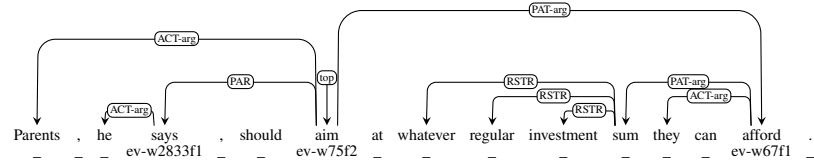
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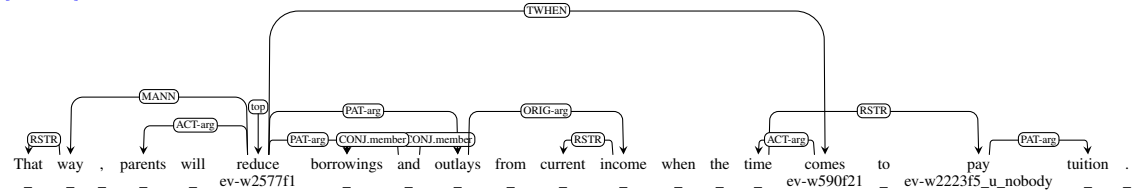
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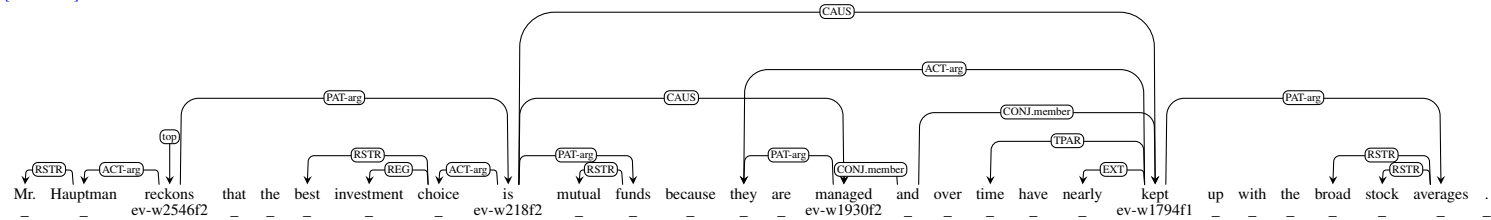
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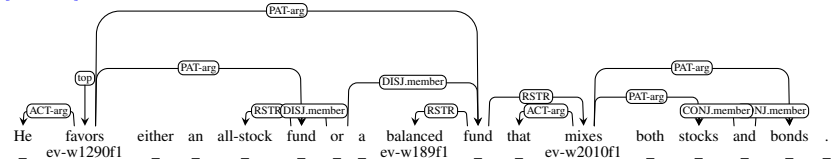
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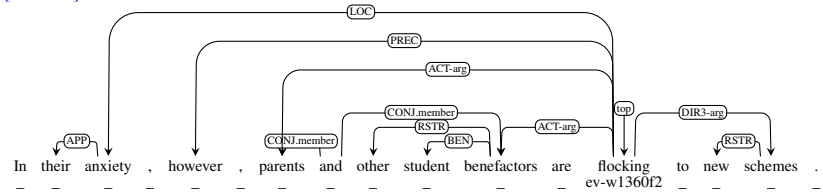
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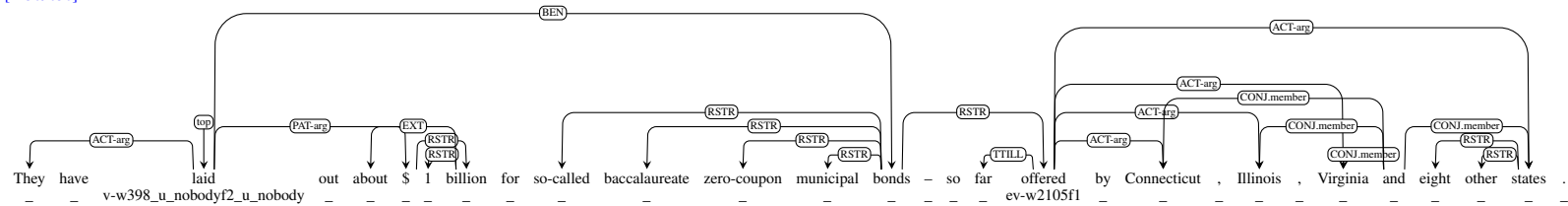
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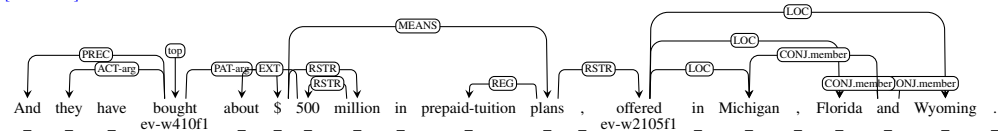
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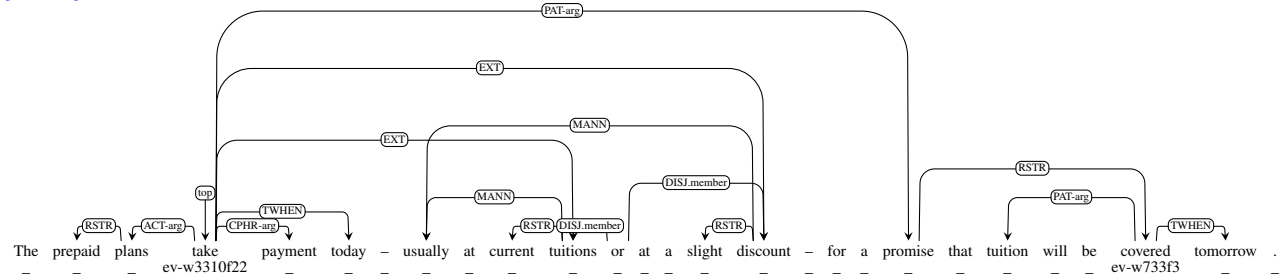
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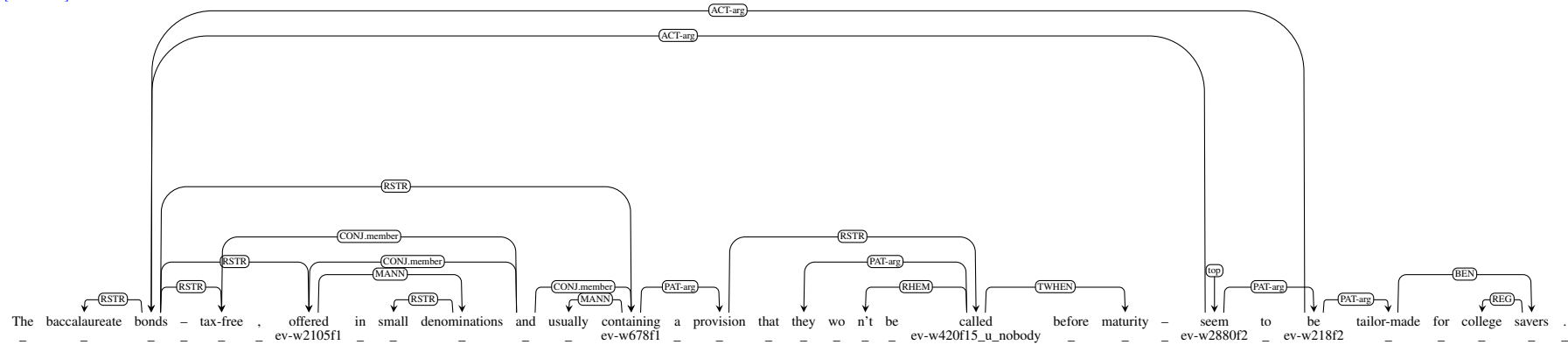
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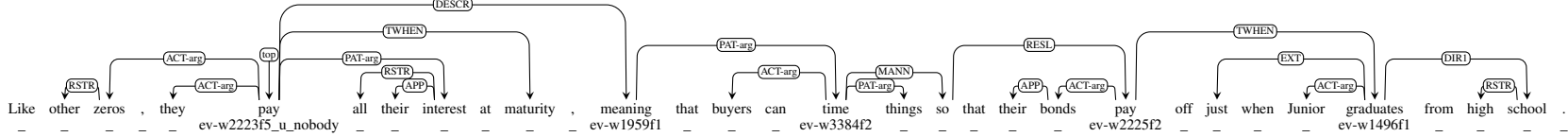
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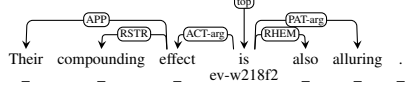
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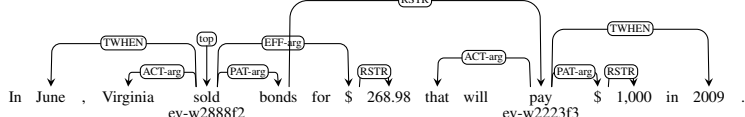
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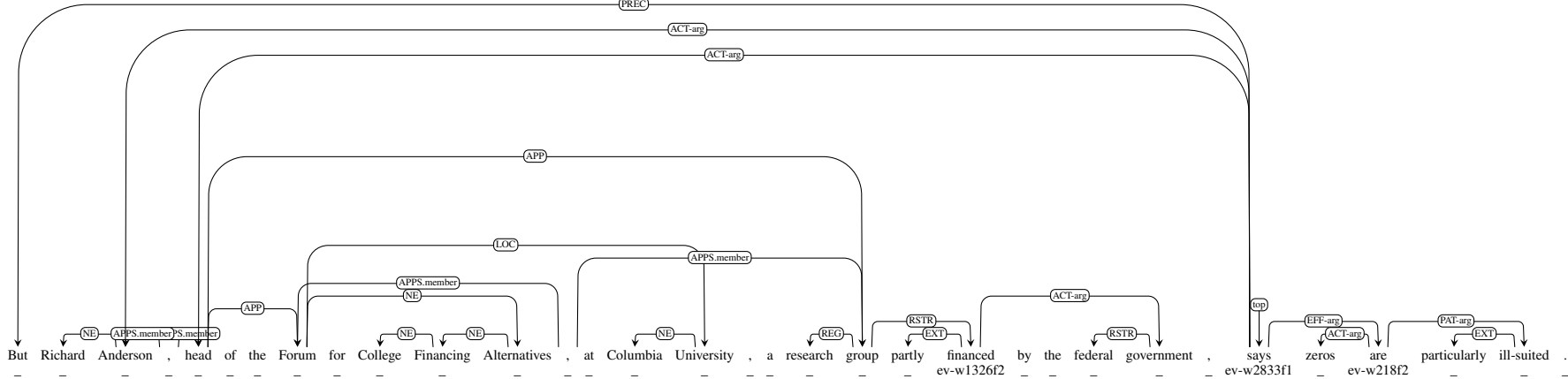
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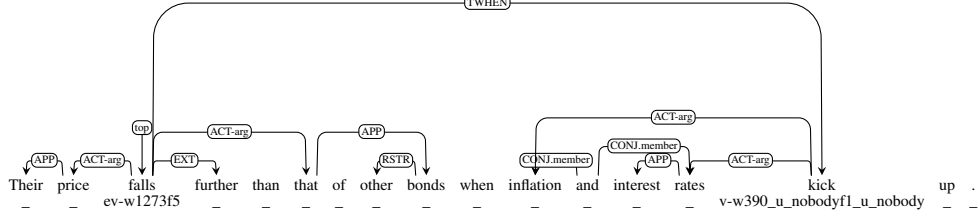
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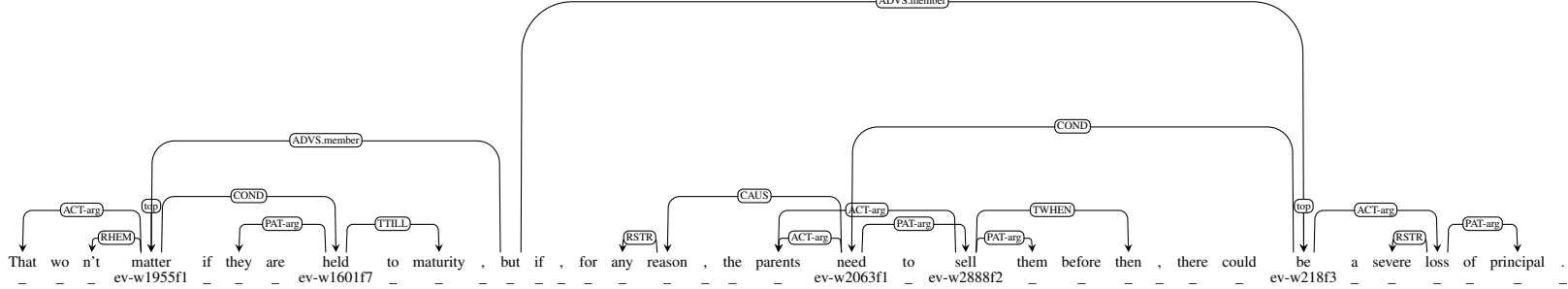
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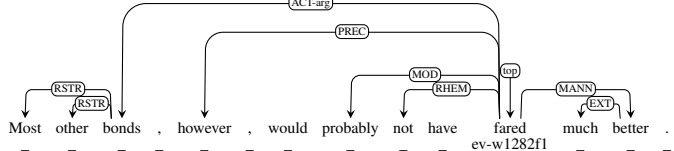
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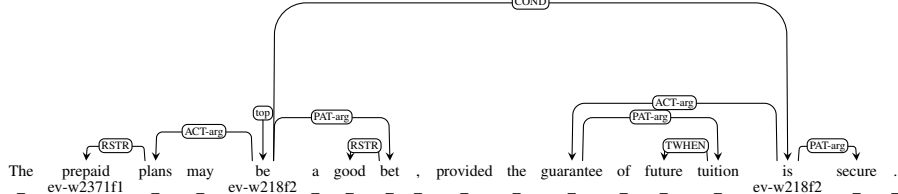
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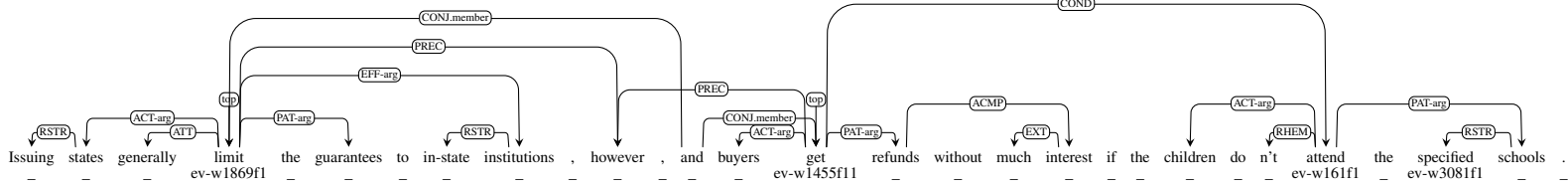
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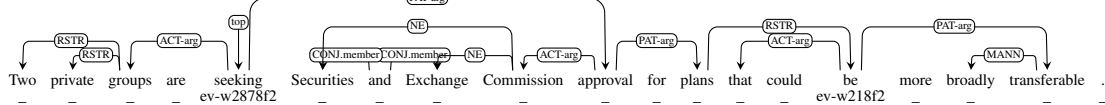
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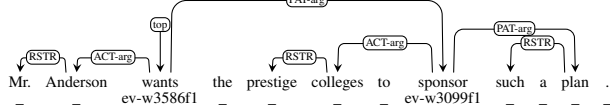
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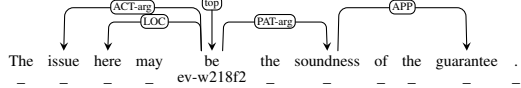
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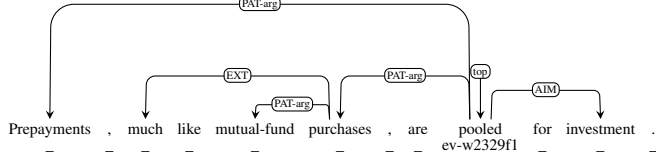
[21569071]



[21569072]



[21569073]



[21569074]

Sponsors are naturally counting on their ability to keep ahead of tuition inflation with investment returns .

[21569075]

But buyers are essentially betting on a start-up investment fund with no track record - and some have been encouraged to borrow to do so .

[21569076]

One problem is that the Internal Revenue Service has decided that the investment earnings and gains of the sponsors' funds are taxable .

[21569077]

The colleges , as educational institutions , had hoped that would n't be the case .

[21569078]

Based on historical rates of return , Mr. Anderson reckons a 100 % stock portfolio indexed to the market , would have kept up with tuition and taxes in the 20th century .

[21569079]

But sponsors might not pick the stocks that will match the market .

[21569080]

And they're leaning more toward fixed income , whose returns after tax have trailed tuition increases .

[21569081]

" I'm not sure they're going to make it work , " says Mr. Anderson .

[21569082]

What happens if the sponsors do n't have the cash to pay the tuitions ?

[21569083]

Florida and Wyoming have backed up their guarantees with the full faith and credit of the state governments , meaning that taxpayers will pick up any slack .

[21569084]

Not so Michigan .

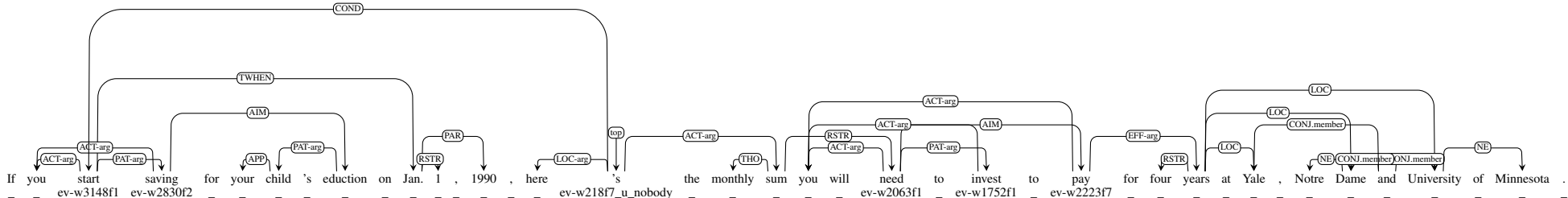
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Its plan is set up as an independent agency .

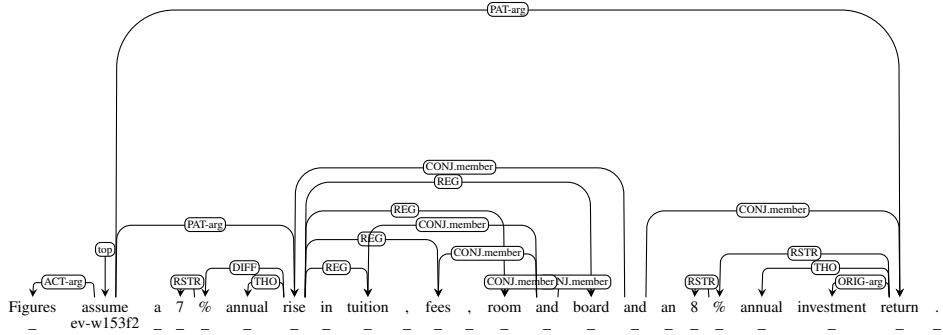
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Mr. Putka covers education from The Wall Street Journal's Boston bureau .

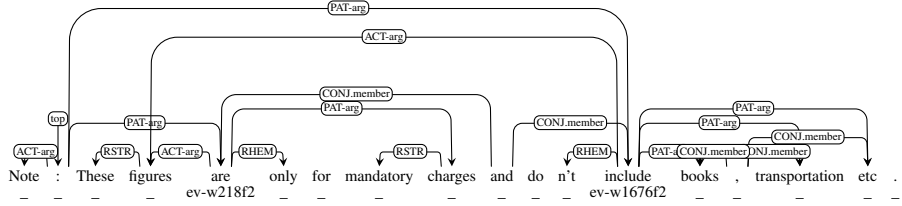
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[21569092]

