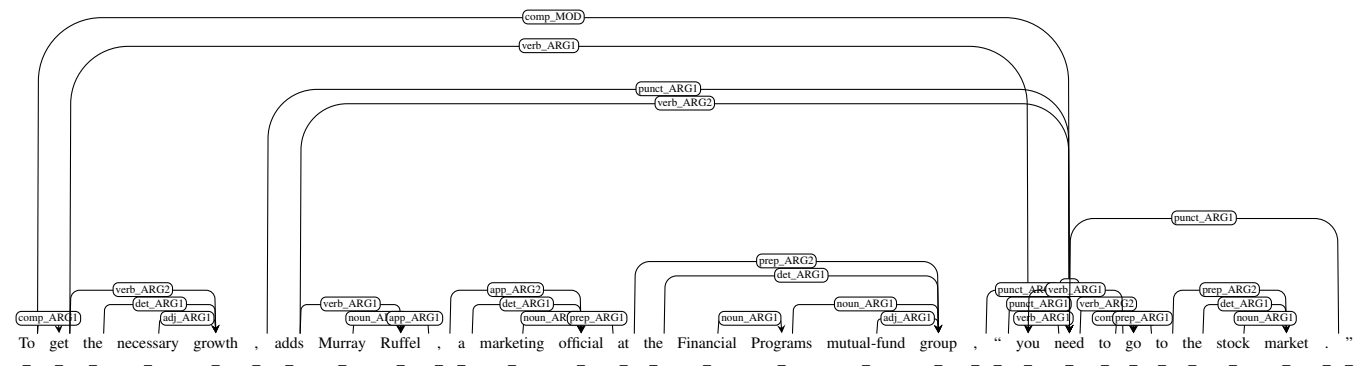
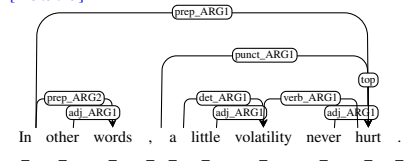


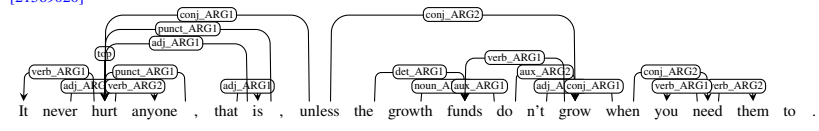
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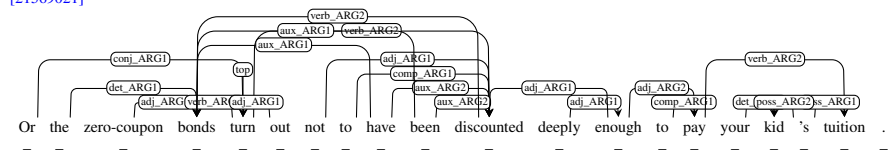
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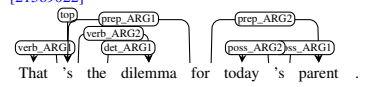
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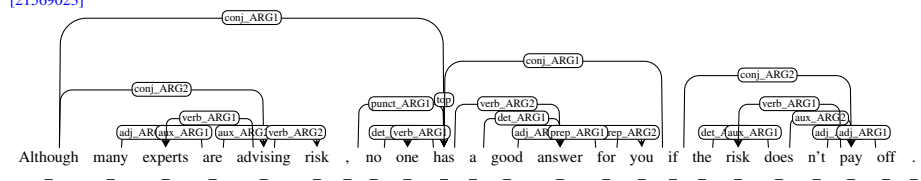
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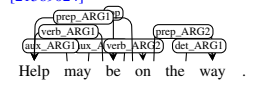
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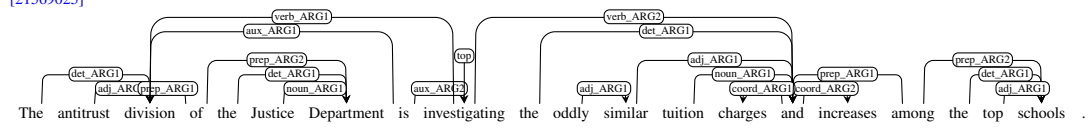
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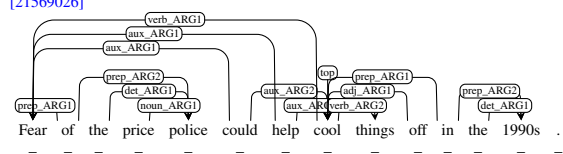
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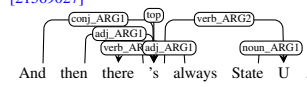
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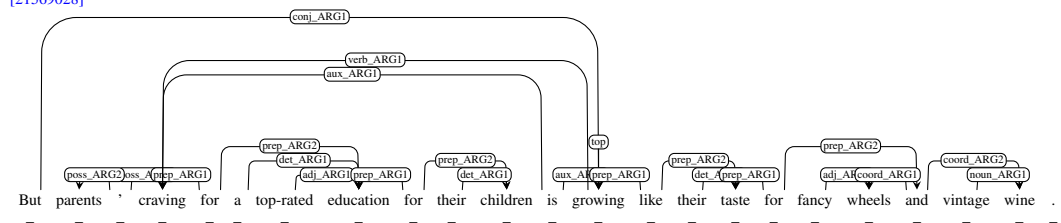
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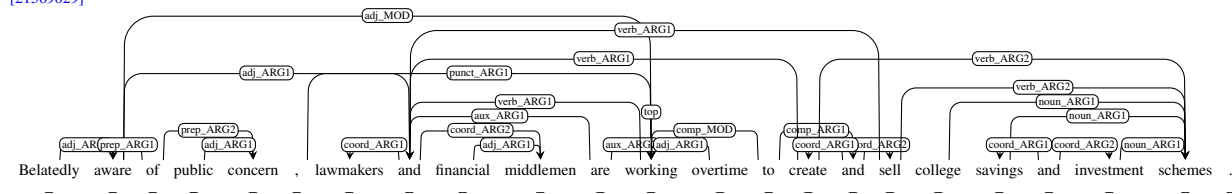
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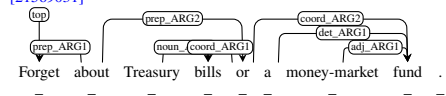
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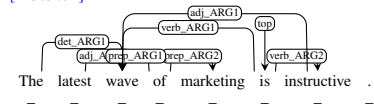
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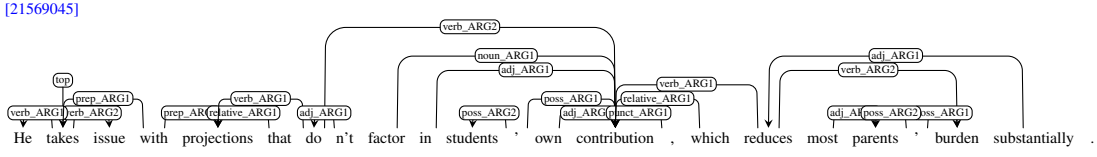
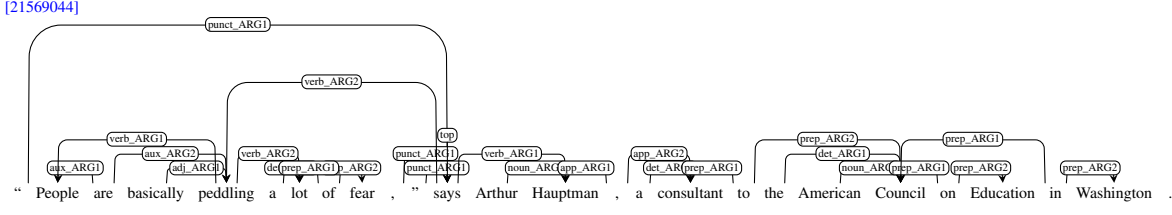
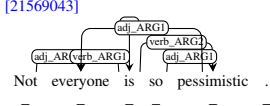
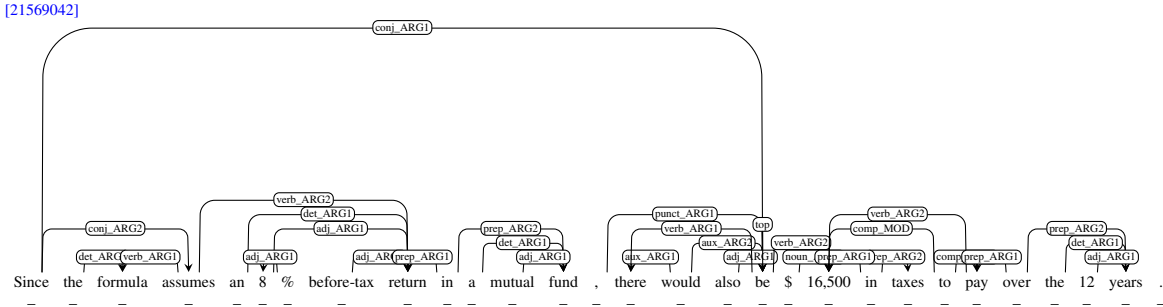
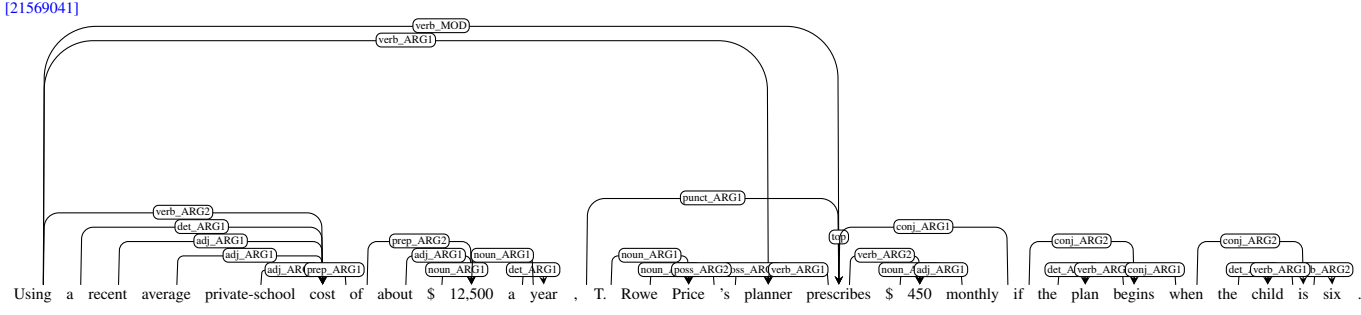
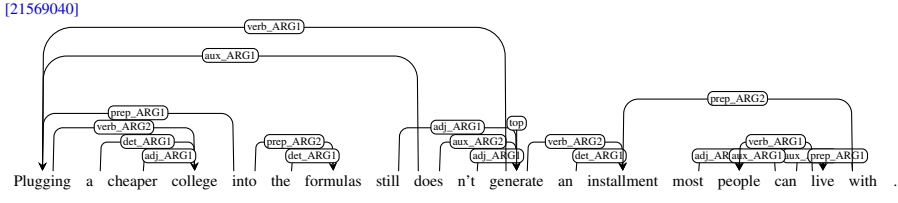
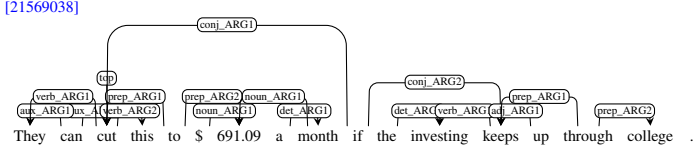
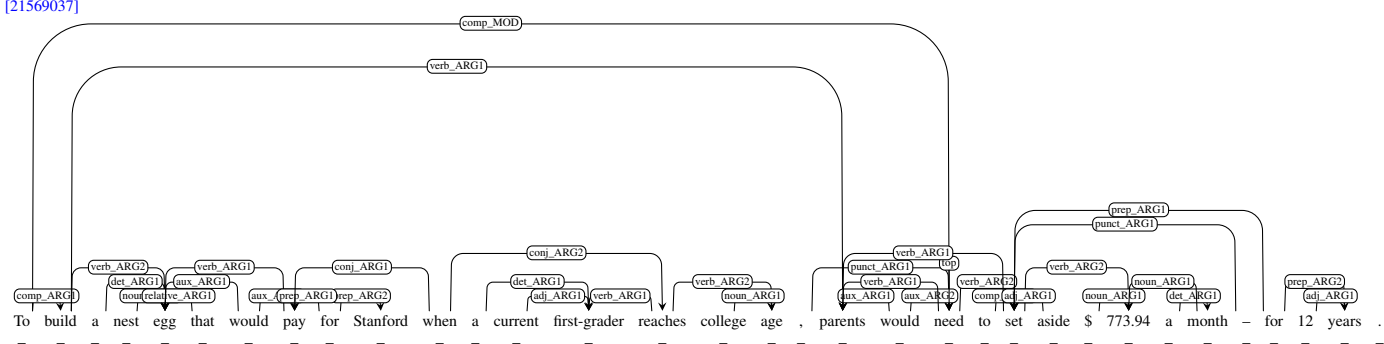
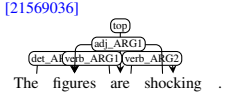
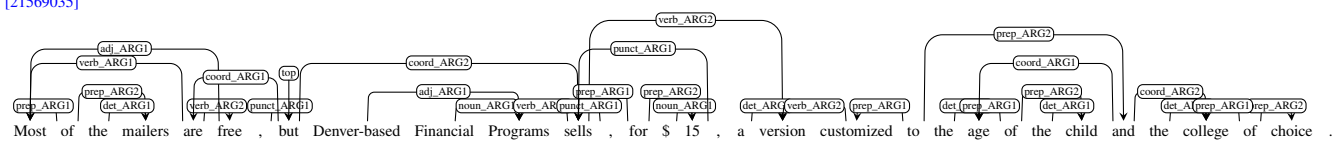
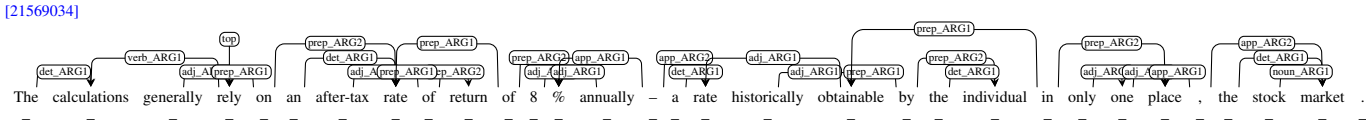
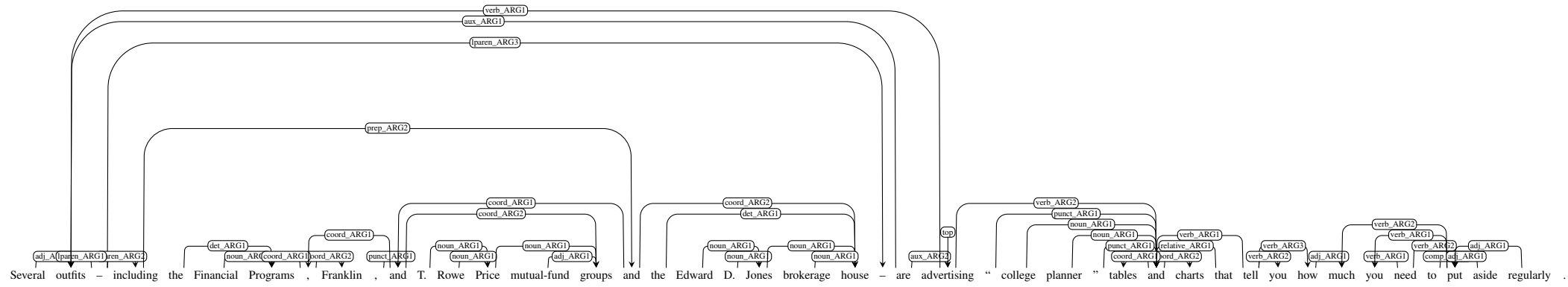
[21569031]



[21569032]



[21569033]



Still , he says , " it ' s no bad thing " if all the marketing prods people into putting aside a little more .

[21569047]

" The situation you want to avoid is having somebody not save anything and hope they 'll be able to do it out of current income , " he says .

[21569048]

" That ' s crazy . "

[21569050]

Parents , he says , should aim at whatever regular investment sum they can afford .

[21569052]

That way , parents will reduce borrowings and outlays from current income when the time comes to pay tuition .

[21569053]

Mr. Hauptman reckons that the best investment choice is mutual funds because they are managed and over time have nearly kept up with the broad stock averages .

[21569054]

He favors either an all-stock fund or a balanced fund that mixes both stocks and bonds .

[21569055]

In their anxiety , however , parents and other student benefactors are flocking to new schemes .

[21569056]

They have laid out about \$ 1 billion for so-called baccalaureate zero-coupon municipal bonds - so far offered by Connecticut , Illinois , Virginia and eight other states .

[21569057]

And they have bought about \$ 500 million in prepaid-tuition plans , offered in Michigan , Florida and Wyoming .

[21569058]

The prepaid plans take payment today - usually at current tuitions or at a slight discount - for a promise that tuition will be covered tomorrow .

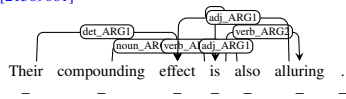
[21569059]

The baccalaureate bonds - tax-free , offered in small denominations and usually containing a provision that they wo n't be called before maturity - seem to be tailor-made for college savers .

[21569060]

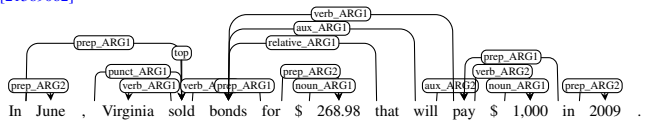
Like other zeros , they pay all their interest at maturity , meaning that buyers can time things so that their bonds pay off just when Junior graduates from high school .

[21569061]



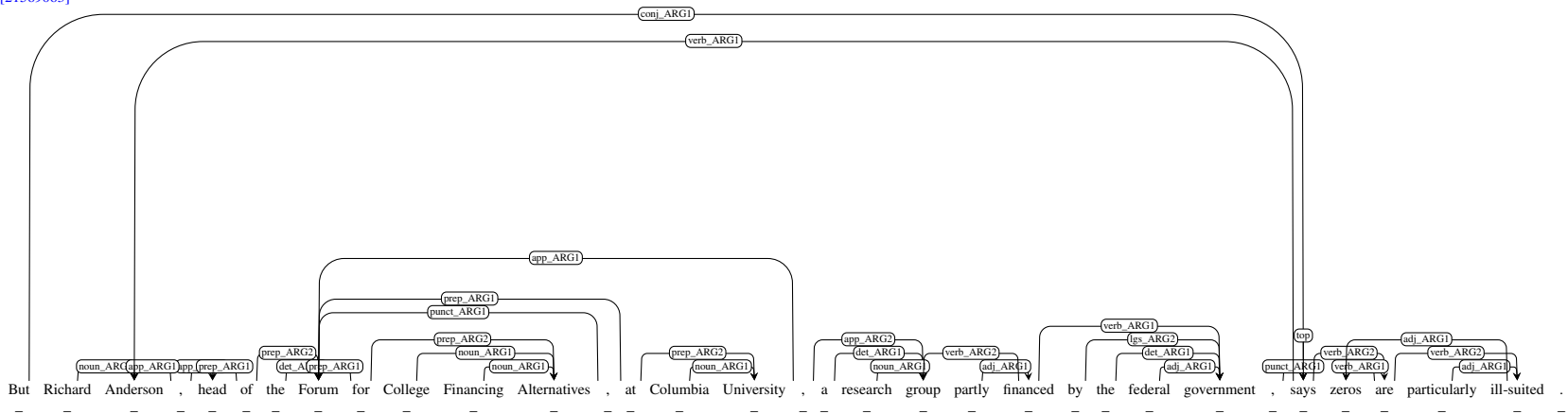
Their compounding effect is also alluring .

[21569062]



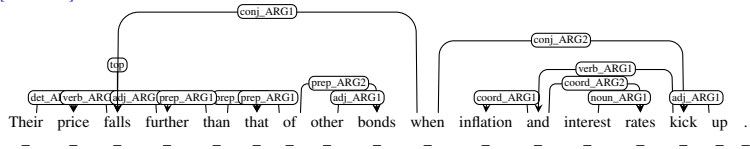
In June , Virginia sold bonds for \$ 268.98 that will pay \$ 1,000 in 2009 .

[21569063]



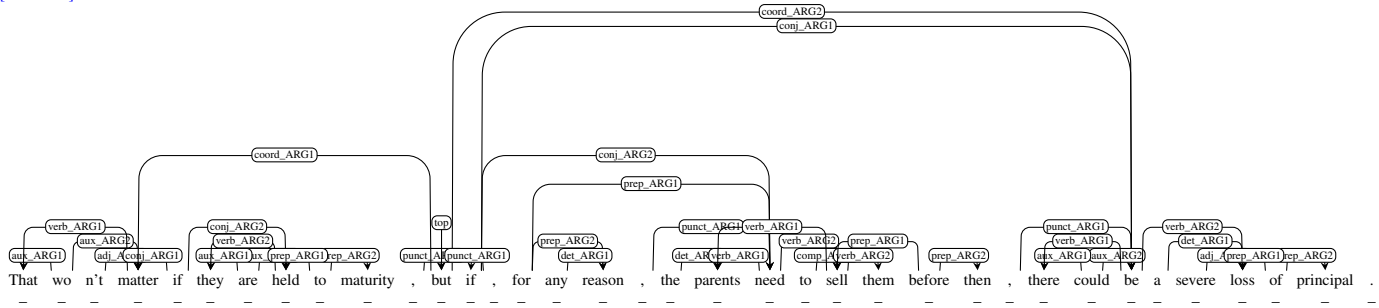
But Richard Anderson , head of the Forum for College Financing Alternatives , at Columbia University , a research group partly financed by the federal government , says zeros are particularly ill-suited .

[21569064]



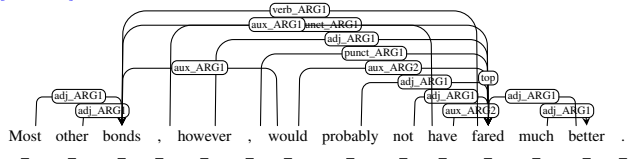
Their price falls further than that of other bonds when inflation and interest rates kick up .

[21569065]



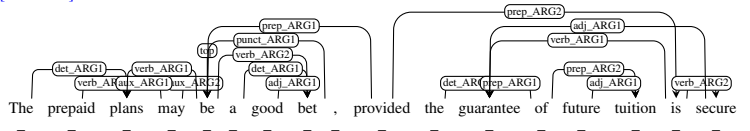
That wo n't matter if they are held to maturity , but if , for any reason , the parents need to sell them before then , there could be a severe loss of principal .

[21569067]



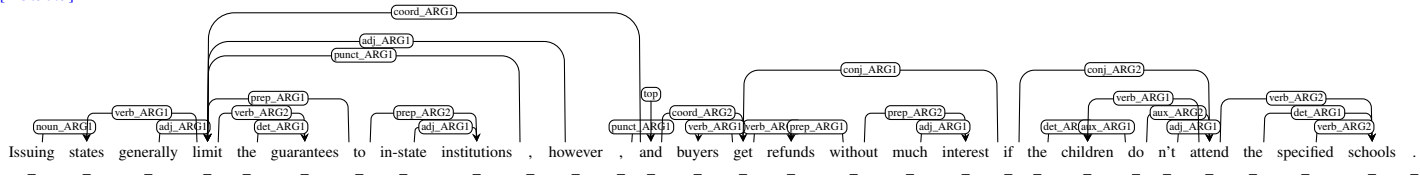
Most other bonds , however , would probably not have fared much better .

[21569068]



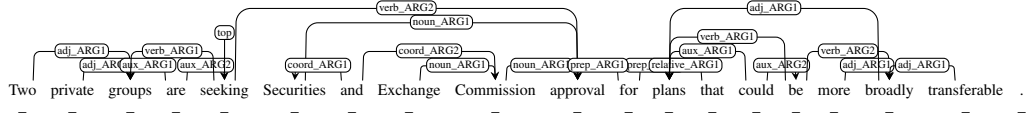
The prepaid plans may be a good bet , provided the guarantee of future tuition is secure .

[21569069]



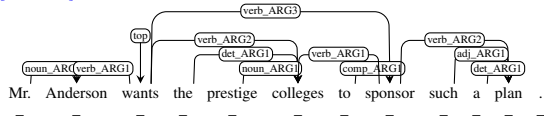
Issuing states generally limit the guarantees to in-state institutions , however , and buyers get refunds without much interest if the children do n't attend the specified schools .

[21569070]



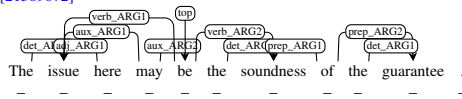
Two private groups are seeking Securities and Exchange Commission approval for plans that could be more broadly transferable .

[21569071]



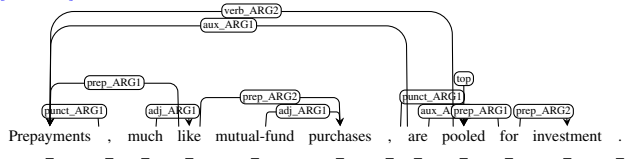
Mr. Anderson wants the prestige colleges to sponsor such a plan .

[21569072]



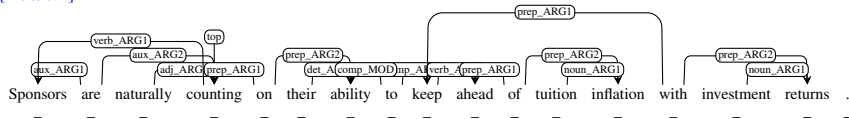
The issue here may be the soundness of the guarantee .

[21569073]



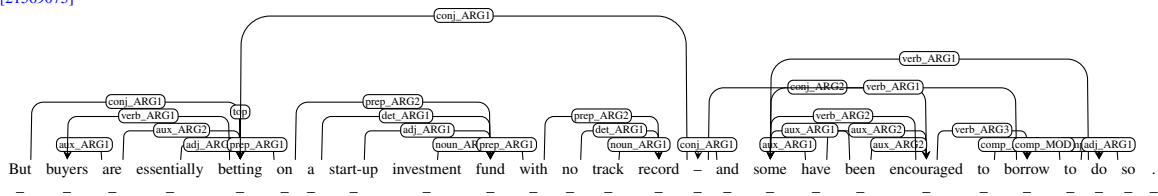
Prepayments , much like mutual-fund purchases , are pooled for investment .

[21569074]



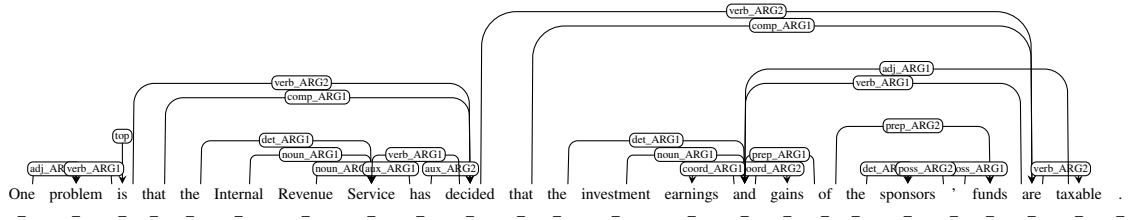
Sponsors are naturally counting on their ability to keep ahead of tuition inflation with investment returns .

[21569075]

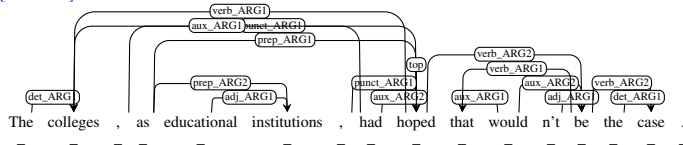


But buyers are essentially betting on a start-up investment fund with no track record - and some have been encouraged to borrow to do so .

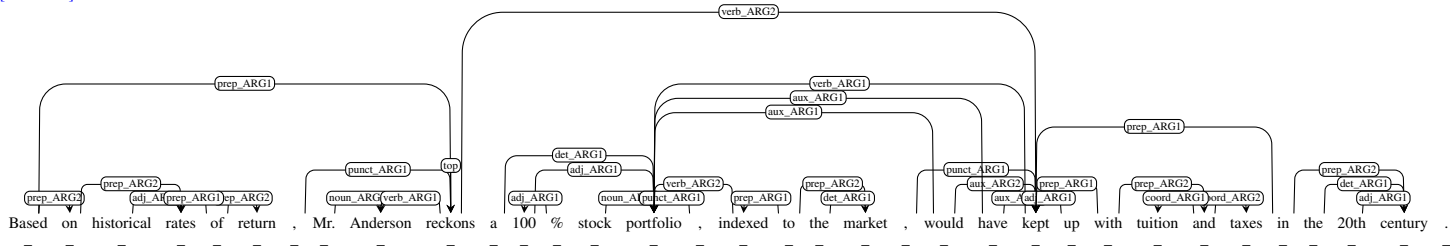
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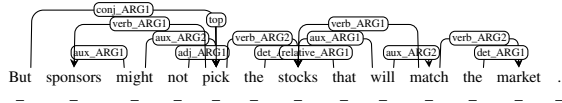
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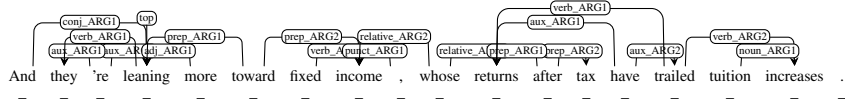
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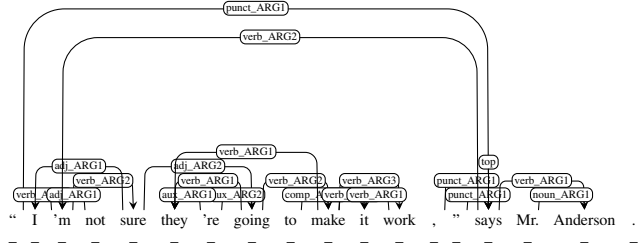
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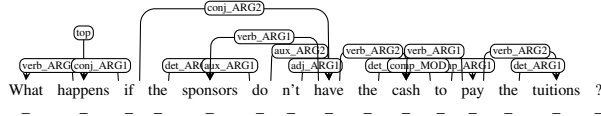
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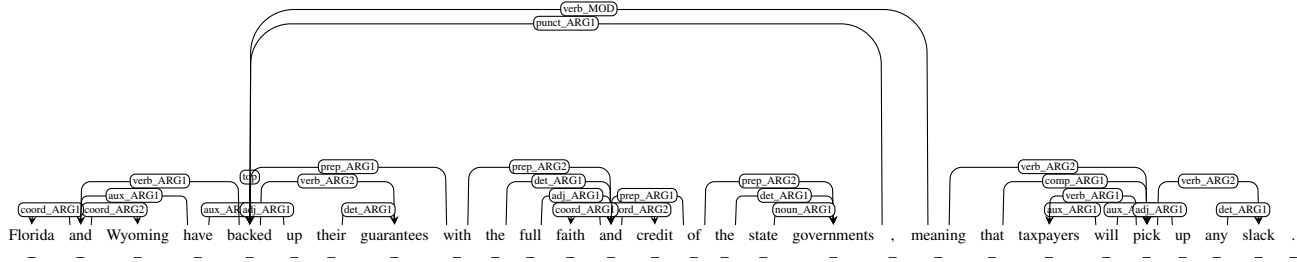
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[21569082]



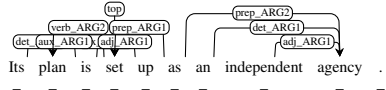
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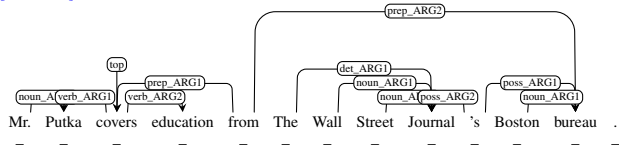
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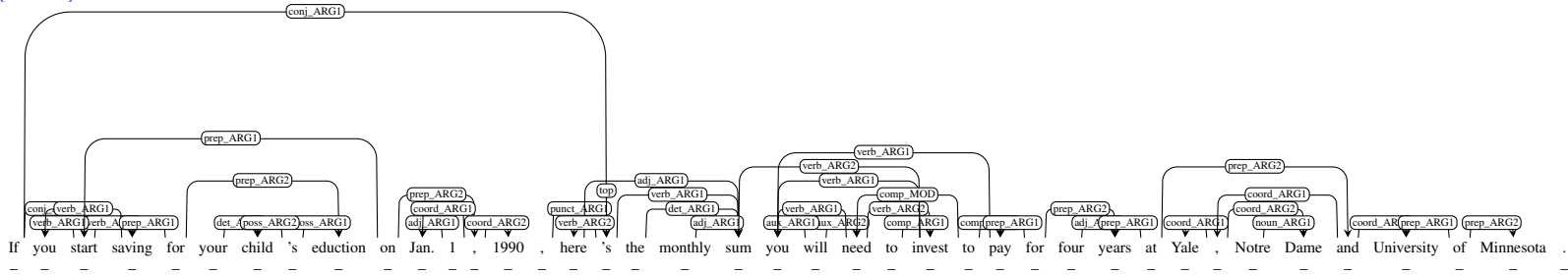
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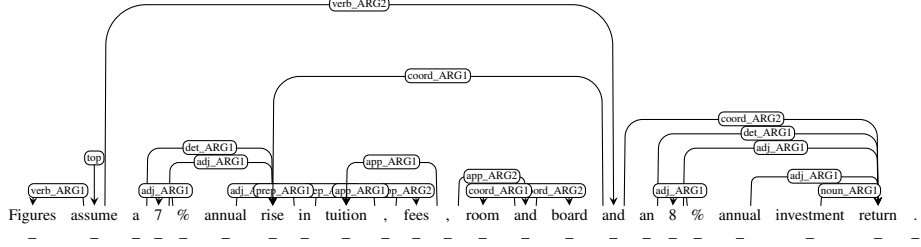
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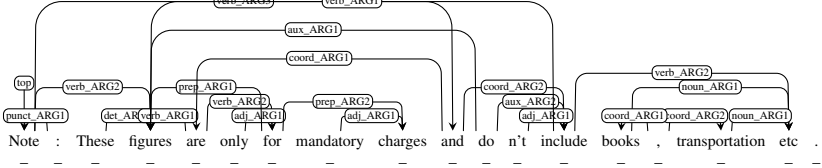
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[21569089]



[21569090]



[21569092]

