



## Ask the Biz Brain

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My granddaughter is graduating in June and going to college. I want to give her \$10,000. Where is the best place for me to put this money? I also have a 9 1/2-year-old grandson, and what I do for one, I also do for the other.

-- Proud Grandma

I know a lot of families who would love to have a generous grandma like you! And you're smart to ask about your best investment options.

The time horizon over which the funds will be needed is very important to consider, says Marnie Aznar, a CFP with Aznar Financial Advisors in Morris Plains. She says if your granddaughter is going to need these funds within the next year, you should keep the money in a highly liquid account such as a savings account or a money market mutual fund.

Aznar suggests considering the ING Orange Savings account ([www.ingdirect.com](http://www.ingdirect.com)), which currently offers a 2 percent annual percentage yield, is FDIC insured, charges no fees and has no minimum balance requirements.

Next, she says you should be sure to consider financial aid implications if either of your grandchildren would be eligible for financial aid. Putting these funds into accounts in their names could be detrimental from a financial aid perspective because, under the federal formula, 35 percent of assets in the student's name will be expected to be used for college costs vs. only 5.65 percent of the parent's assets and zero percent of your assets, as the grandparent.

Jim Freisen, a CFP with Robert Oberst Sr. & Associates in Red Bank, says the funds for your granddaughter should stay in your name to protect her chances for aid, and in a money market, to protect the funds from losing principal so close to the time the money is needed.

"For the 9 1/2-year-old grandson, I recommend the \$10,000 be put into a 529 Plan, because all gains that are in the account will grow tax-free as long as the funds are used for education expenses. With that time frame, the funds should be invested in growth funds to maximize the returns," Freisen says.

-- Karin Price Mueller