

## College Funding for the Self-Employed Parent

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Although college savings plans, pre-paid tuition plans, education IRAs, and the like are useful savings vehicles, these vehicles sometimes tend to shift the focus of *who* is to pay for a student's college *away* from the student. While I am in no way suggesting that college-bound students grapple with the college financing puzzle in isolation, I am of the opinion that they should not only be involved in the planning process, but that they should also bear some portion of the cost.

What better way for a youngster to begin the trek toward becoming a responsible adult than for her to share in the joy of planning, commitment, and financial sacrifice? If you share my mindset and you happen to be a parent who is also a sole proprietor or part of a simple, husband-wife partnership, the tax code can help you help your children help themselves. Got that?

What's the strategy? Hire your kids! As they learn how to work, everyone will benefit. They'll gain the satisfaction of pulling some weight and there will be tax breaks 'o-plenty.

If your kids are not yet 18 years old, you automatically escape the employer's portion of Social Security and Medicare taxes on any wages you pay them and they'll escape their portion of those taxes, as well. You'll also side-step federal unemployment taxes since they are not imposed on workers who are under 21 years of age. And since each child is entitled to a standard deduction, each of your little laborers can earn as much as \$5,350 (for 2007) completely free of federal income taxes.

As they say on late-night TV, "But wait, there's more!" As long as the wages you pay them are reasonable, they are a fully-deductible business expense for you. Therefore, your taxable income falls as does your income tax and self-employment tax liabilities.

What's the catch? Aside from the fact that you can't force your children to use their savings toward college, there aren't any.

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