Today's trusts for tomorrow's tuition

Experts speculate that by the year 2000 a four-year college education will cost about $120,000 at a private school or $75,000 at a state school.

Parents saving for their child's education should acquaint themselves with investment opportunities such as trusts, zero-coupon bonds and securities.

Several trust accounts not only provide savings but also reduce the parents' tax liability. A Clifford Trust allows the child to receive income from property placed in trust for a period of at least 10 years. The first $3,300 of earned income is tax free and any accrued income beyond that figure is taxed at the child's lower tax rate. Although the income earned is paid to or accumulated for the child, the property returns to the parent when the trust term ends.

A Grummey Trust allows each parent to give the child up to $10,000 per year to be placed in a trust account that will create funds to meet future obligations. The advantage of this trust is the tax-free nature of the gift, but parents should know that there is a brief period after the parent gives the gift when the child has the right to remove the money or property from the account.

Another savings alternative is a zero-coupon bond. The bonds are easily purchased, offer a promised yield that translates into a predictable income, and up to $10,000 per year from each parent can be given to the child. These bonds do not pay interest as conventional bonds do. Instead you buy them at deep discounts from face value, which you collect at maturity. As a result, you know when you invest exactly what your total return will be as long as you hold the bond to maturity.

"This is considered a good savings instrument for the long term

Zero-coupon bonds are considered a good savings instrument for the long term because the interest rate is guaranteed and the parent knows what the value of the bond will be upon maturity. By buying the bond in the child's name the tax liability is also shifted to the child for interest earned from the bond.