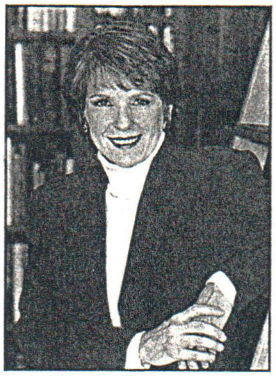


money watch

BY JANE BRYANT QUINN

RETIREMENT, COLLEGE, AND DEBT

When readers write, these are the main things on their minds. Below, typical questions and where to look for help.

I want to save for my retirement but have no idea how much I'm going to need. What would be a reasonable goal?

There's a wonderful tool called Ballpark Estimate, developed by the American Savings Education Council (ASEC). It's a simple worksheet that shows you roughly how much you should save to retire at your current standard of living.

The sheet has only 11 blanks to fill in, takes just a few minutes, and requires no math skills other than multiplication. I ran the Ballpark Estimate past two experienced financial planners, who tested it against their own retirement-planning software. They found that Ballpark figures usually came within 10 percent of their own recommendations. That's good enough for me.

The planners did find a few things to quibble with. Ballpark assumes a life expectancy of 87 (maybe you'll live longer). It's addressed to individuals, not couples (ASEC President Don Blandin says that a husband and wife should each fill out a form, then add the totals). But you're not seeking pinpoint accuracy here. You need a target to work toward.

Ballpark also assumes a low investment return–just 3 percent, after inflation. So it covers people who save primarily in bonds and bank accounts. If you invest in stocks or stock-owning mutual funds, you should earn more than 3 percent. With Ballpark as your base, you can either save less than it suggests (relying on higher investment returns to reach your retirement goal) or save the recommended amount (hoping to have even more to retire on).

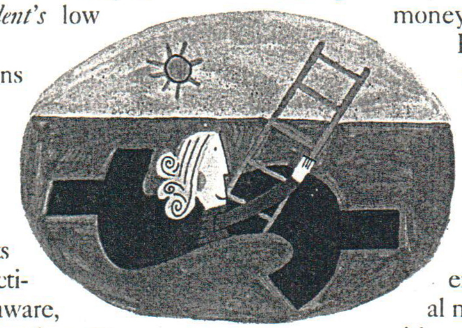
The Ballpark Estimate is available free from the U.S. Department of Labor. Call 800-998-7542, or visit its Web site at *www.asec.org.*

I want to save money for my child's college education. Where should I put it?

Several states offer a terrific new deal: special college investment accounts, with tax breaks thrown in. You can contribute a lump sum or pay in installments as small as $25 or $50 a month.

The money accumulates tax deferred, When you withdraw it to cover higher-education expenses, the gains are taxed as ordinary income–but they're taxed in the *student's* low bracket, not yours.

Some state plans accept you only if you live there. The following states, however, open their college investment accounts to everyone: Connecticut, Colorado, Delaware, Indiana, Iowa, Massachusetts, Missouri, Montana, New Hampshire, New York, Rhode Island, and Utah (with more due this year). For all the plans, your child does not have to go to school in that state to participate in its plan.



If you happen to live in a state with a college investment account, it usually makes sense to use it. Earnings on the account are exempt from state tax. You might even get a state tax deduction for the money you put in.

You cannot control the investments in these plans. The state handles the money for you. So before you sign up, find out how the fund is divided between stocks and bonds. A few states put most or all of the money into bonds, so their returns are relatively low. Some states offer balanced funds–say, 60 percent in stocks, 40 percent in bonds. The best plans invest heavily in stocks when the child is young, then gradually shift to stable investments as the child approaches college age.

Once you've started such an investment account, you must use the money for higher education. Gains withdrawn for other purposes will be taxed in your bracket.

For details on each state's savings plan, check *www.collegesavings.org* or call toll-free 877-277-6496.

I'm overborrowed and underincomed. Who can help me dig out of debt?

Try credit counseling, which is now more available than ever. Services can be had by phone and even on the Web.

Basic counseling starts by analyzing your income and expenses. With help, you might find a way of meeting your obligations. If they're totally out of control, you'll need a debt-repayment plan: You make a single payment to the counseling service, and it disburses the money to your creditors.

Here's how three nonprofit credit-counseling services work:

• *The National Foundation for Consumer Credit* has traditionally emphasized personal meetings. It works with around 1,500 independent offices, which often operate under the name Consumer Credit Counseling Service. For the nearest office, call 800-388-2227, or check the Web site at *www.nfcc.org.*

Fees vary. Most of the offices do basic budget counseling free of charge. The remainder charge anywhere from $2 to $50 per session. For debt-repayment plans, you often pay anywhere from $5 to $25 a month.

• *Debt Counselors of America (DCA)* offers a range of financial services, mostly on the Web *(www.getoutofdebt.org)*, sometimes by phone (800-680-3328). Budget counseling is free. For debt repayment, you contribute $2.90 per creditor per month. The service also offers crisis relief ($425), where counselors jump in to try to forestall bankruptcy.

• *Genus Credit Management* works primarily by phone and sets up monthly repayment plans, requesting a donation of $3 per month per creditor. Call 888-436-8715, or check the Web site at *www.genus.org.*

ILLUSTRATION BY LINDA HELTON