

GETTING A HEAD START ON COLLEGE SAVINGS

The U.S. Department of Agriculture estimates a middle-income family with a child born today can expect to spend about \$285,000 to raise that child to the age of 17.¹ That's roughly equal to the median value of a new home in the U.S.²

And if you've already traded that super-charged convertible dream for a minivan, you can expect your little one's college education to cost as much as \$360,000.³

But before you throw your hands up in the air and send junior out looking for a job, you might consider a few strategies to help you prepare for the cost of higher education.

First, take advantage of time. The time value of money is the concept that the money in your pocket today is worth more than the same amount will be worth tomorrow because it has more earning potential. If you put \$100 a month toward your child's college education, after 17 years' time, you would have saved \$20,400. But that same \$100 a month would be worth over \$32,000 if it had generated a 5% annual rate of return.⁴ The bottom line is, the earlier you start, the more time you give your money to grow.

Second, don't panic. Every parent knows the feeling—one minute you're holding a little miracle in your arms, the next you're trying to figure out how to pay for braces, piano lessons, and summer camp. You may feel like saving for college is a pipe dream. But remember, many people get some sort of help in the form of financial aid and scholarships. Although it's difficult to forecast how much help you may get in aid and scholarships, they can provide a valuable supplement to what you have already saved.

Fast Fact: *In-district tuition and fees at public two-year colleges is lowest in California at \$1,430 and highest in Vermont at \$7,740.*

Source: The College Board, 2017

Finally, weigh your options. There are a number of federal and state-sponsored tax-advantaged college savings programs available. Some offer prepaid tuition plans and others offer tax-deferred savings.⁵ Many such plans are state sponsored so the details will vary from one state to the next. A number of private colleges and universities now also offer prepaid tuition plans for their institutions. It pays to do your homework to find the vehicle that may work best for you.

As a parent, you teach your children to dream big and believe in their ability to overcome any obstacle. By investing wisely, you can help tackle the financial obstacles of higher education for them—and smooth the way for them to pursue their dreams.

1. U.S. Department of Agriculture, 2017

2. U.S. Census Bureau, 2017

3. The College Board, 2018. (Based on average tuition and fees for private universities in 2017-2018 and assuming a 5% annual increase)

4. The rate of return on investments will vary over time, particularly for longer-term investments. Investments that offer the potential for higher returns also carry a higher degree of risk. Actual results will fluctuate. Past performance does not guarantee future results.

5. The tax implications of education savings programs can vary significantly from state to state, and some plans may provide advantages and benefits exclusively for their residents. Please consult legal or tax professionals for specific information regarding your individual situation. Withdrawals from tax-advantaged education savings programs that are not used for education are subject to ordinary income taxes and may be subject to penalties.

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