

# Strategies for Saving for College

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*According to a 2017 College Board report, the average cost of tuition and fees, room and board, and books and expenses for four years of attendance at a public university is \$90,608, while the same costs at a four-year private university are \$204,818. By 2035 those costs are expected to soar to \$162,613 and \$367,581, respectively. Early planning can help you fund college for your child, leaving them free to focus on educational success.*

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For answers to more of your questions about saving for college and how it affects financial aid, visit [bairddigest.com](http://bairddigest.com).  
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## What you should know:

- 1. When considering building a fund for your child's education, it is important to take stock of the factors that will determine how much you want, need or are able to save.**
  - Will your child's chosen area of study require a specialized program or an advanced degree available only at certain schools? Will he or she stay close to home or want to move away for college?
  - How will your other financial goals, such as retirement savings, impact your ability to contribute to a college fund?
  - Scholarships and grants can help defray costs, but student loans can leave you or your child with the burden of debt. A college cost calculator can help you understand what that might mean for your budget.
- 2. A 529 College Savings Plan allows participants to save money on behalf of a designated beneficiary for qualified higher education expenses (QHEE) and limited private K–12 tuition expenses.**
  - Contributions to a 529 College Savings Plan are made with after-tax dollars. There is no federal tax deduction for contributions.
  - All contributions to 529 plans grow tax-deferred, allowing 529 participants to take advantage of the power of tax-deferred compounding. Distributions to pay for the beneficiary's QHEE are federally tax-free.
  - If the beneficiary does not go to college, you can change the beneficiary or withdraw the money from your account, though you may ▶

have to pay both a 10% penalty and income taxes on your earnings.

**3. Expenses during the college years go beyond tuition and fees, room and board, and books and supplies. Transportation to classes and to home during breaks as well as daily needs bring added costs.**

- The 529 plan cannot be used to pay for some of these additional expenses. However, most forms of financial aid including federal and state grants and federal loans can be used for these expenses.
- As the college years approach, talk to your child about saving on his or her own for some of these expenses by working a job or by saving monetary gifts they may have received. Allowing a student the opportunity to take responsibility for some of the costs of college can help them learn ownership and budgeting.

- Credit cards taken out in the student's name, when used wisely, can help them begin to build a credit record. Encourage them to limit the available credit on the card and set up automatic payments to avoid costly, common traps.

**What you should do now:**

Funding a child's college career can be an overwhelming prospect, but it doesn't have to be. Your Baird Financial Advisor can help you make a plan that's right for you, your child and your child's future. ■