6 tips for late-start college savers

Saving for your child's college education later than you planned? Follow these tips to get you on track.

Introduction

Welcome to the wonderful world of expanding your knowledge on saving for college!

We are happy to see you here—digging into another educational resource that is designed to provide valuable tips on saving for your child's college education.

If you are getting started a little later than you planned, we've compiled a few helpful tips to guide you from this point on. Be sure to read through the entirety of this guide, and then put a plan into action to start saving.

We are here to help. If you have questions, please reach out to our firm.

6 tips that can help...

Planning for long-term goals, like college savings, can often take a backseat to daily incidentals. After all, life is costly in general, making immediate expenses a priority. There is a point, however, when you have to turn your attention to saving for your child's higher education—even if you're getting a late start.

If this rings true for your family, be sure to read through our top six tips for late-start college saving...

1 Adhere to the one-third rule

Many in-state public colleges and universities come with an average annual tuition cost of around $10,000 (more than $32,000/year for private schools). With a shortened timeline, it's unlikely that you'll be able to save enough to cover 100 percent of tuition and other costs (i.e., books, housing, transportation). So, as you plan, consider paying for your child's education by using one-third savings, one-third current income and one-third student loan. This requires you to create a budget that enables you to save at least one-third of the total cost of college.

2 Enlist others to save

Don't take on the full burden of paying for college alone. Ask your child to start saving as well, and put the extra funds toward a dedicated college savings account. You can also ask family members (aunts, uncles, grandparents) to contribute money to your child's college savings fund in lieu of birthday or Christmas gifts. You'll be surprised at how fast funds will accumulate when more people are pitching in.

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❸ Start a 529 plan

This is one of the best ways to save for your child's college education. Some state-offered plans allow you to invest after-tax funds, meaning your fund grows tax free. And, as long as withdrawals are applied to qualified expenses—such as tuition, books, dorm fees and meal plans—they are not subject to federal taxes.

It's important to note that the cost of 529 plans will vary by state. Ultimately, you need to do your homework to identify plan costs and any added fees. You'll also want to consider your personal tax situation, unique state plan options and tax benefits in order to select the plan that best fits your needs.

FYI

The tax code allows you to front-load a 529 plan with up to five year's worth of contributions.

❹ Front-load contributions

While there is a cap on how much you can contribute to a 529 plan per year ($15,000), the tax code does allow you to front-load with up to five year's worth of contributions. If you have the funds on hand, it's a good idea to front-load contributions and take advantage of extra years of tax-free growth. So, if you get a bonus at work or experience a sudden windfall (e.g., inheritance), it's smart to put the money into a 529 plan.

Some states also allow you to pre-pay tuition using a 529 plan. This allows you to lock in savings at current tuition rates—and that can really add up as we continue to see tuition costs rise year over year. You'll want to keep in mind that although prepaid plans are designed to pay for tuition at a specific school or group of schools, it's often possible to transfer funds or have the money refunded if your child ends up attending a different college or university.

5 Invest conservatively

Beyond a 529 plan, consider investing some money in a low-interest savings account. With a shorter investment timeline, it's smart to reduce investment risk. Consider your child's age as you make decisions on how to invest. For example, if your child has already started high school, consider fixed-income instruments like bonds and dividend-paying stocks.

For younger children, perhaps introduce more equity exposure. It's always best to talk to a financial advisor if you are unsure of how to invest your money.

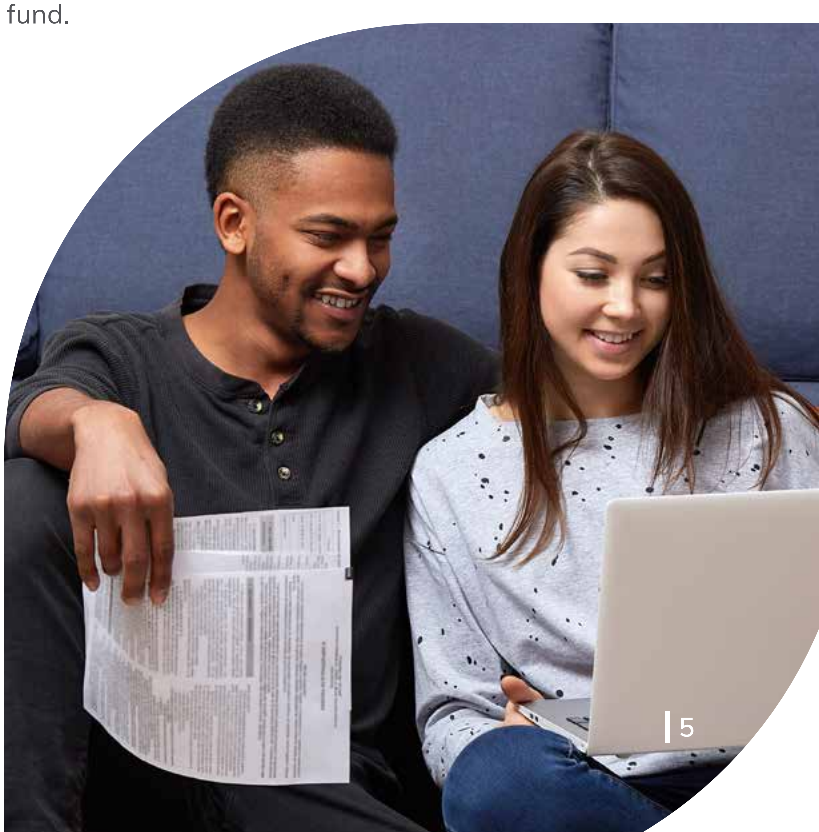
6 Take inventory of where you are

It's important to understand why you got a late start in the first place. Take some time to examine your expenses and then prioritize them. Fixed costs such as mortgages, car payments and food are mainstays, so be sure to look for those non-priority expenses that have created a barrier to saving for college. These can include entertainment, dining out, costly (purchased-daily) coffee drinks and even vacations. Once identified, you will start to see areas where you can cut back and then reroute that money into a college fund.

Once you've taken inventory of your current financial state, you may conclude that cutting back on expenses is not enough. If so, consider taking on a little side work to augment your child's college fund.

Other Investments

- Bonds
- Dividend-paying stocks
- Savings account



Start saving now!

If you did get a late start, it's better to start saving now than not at all. Every little bit will help! If you need added insight into the best college savings plan for your situation, be sure to speak with your trusted financial advisor.

Need a little help with college savings planning?

Contact us today! Simply click the **GET IN TOUCH** button on our website and complete the brief form.
We are here to help!