



September 1, 2021

Five Steps to Start Saving for Your Child's College Education

You Spoke We Listened!

According to the survey Wealth Works conducted, you wanted to learn more about preparing for college. Therefore, throughout September, we will provide you with information and resources to help you and your family get ready for college.



Do not blink! The future price of college just went up for your children. The good news? Both the state and federal government will give you a boost on saving for college. The federal government does not tax earnings in 529 plans, and some states offer a state income tax benefit on 529 plan contributions as well. A 529 plan is a tax-advantaged savings plan designed to encourage saving for future education costs. However, before you start tabulating how much help you will get from the government, you need to determine how much you can afford to save.

Start with these five steps.

1. Save The Right Amount For You

Being smart with the amount to save is the most important thing you can do. Why? Your child's college savings should not compromise your emergency savings or retirement plans. Otherwise, you may end up withdrawing funds early and paying a stiff tax penalty. It is essential for your children that you take care of yourself first. Then, whatever you do save for them is a precious gift.

2. Practice Saving Before Opening a [529 Plan](#)

Open a dedicated savings account for college savings before you open a 529 plan. The reason for this practice account is that there are penalties for early withdrawal from a 529 account. Therefore, practice saving first in a standard savings account for a few months to exclude this money from your basic family budget.

3. Save an Affordable Monthly Amount

If you can only save, \$25 per month, over a period of time, that can still amount to a few thousand dollars saved for your child. Most experts' say just getting into the practice of monthly savings is the most crucial step.

4. Deposit Lump Sums

Whether the money is from a tax refund or a workplace bonus, you may decide to allocate a percentage of those funds toward future college savings. For instance, 10 percent of a \$3,000 refund is \$300. If \$300 is saved annually for ten years, that is \$3,000 extra in college savings.

5. Research and Open a 529 Plan

Once you have practiced saving for your child's college education for a few months, you can begin to think about opening a 529 plan.

Information provided by Enrich.