

Create a College Funding Strategy

With all the other expenses competing for your monthly income - mortgage, car payment, 401(k) plan contribution, and the like - carving out a small sum of money to save every month for college isn't easy. However, the earlier you start the more you're likely to accumulate.

Let's compare two hypothetical examples. The Smiths and Jones both want to send their children to a college whose four-year total cost is approximately \$40,000. The Smiths start saving as soon as Junior is born, putting away \$100 per month earning 8% per year. By the time Junior is ready for college, they will have saved \$48,749 - more than enough to cover the entire cost plus account for inflation.

The Jones, however, wait until Precious is 10 years of age before starting to save. Even though they can put away \$250 per month, when Precious is ready for college eight years later they have only saved \$34,163 - meaning they'll have to make up any shortfalls out of pocket.

Of course, these hypothetical examples are for illustration purposes only and do not represent the return of any specific investment. Also, taxes, fees, and other costs are not considered. But the message is clear: The earlier you start, the less you'll need to save each month and the more you're likely to end up with by the time you send your child or children off to State U.

Fortunately, several savings and investment strategies exist to help you accumulate assets for college.

College Funding Ideas

1. Assess your needs. To determine how much to save, you need to estimate the future cost of tuition at public and private institutions. With education cost rising an average of over 8% a year for four-year institutions, you must save with inflation in mind.
2. Save early and often. The sooner you begin to set aside funds for college, the less you will have to save on a monthly basis. Allow your investments to grow along with your child.
3. Set up a systematic savings plan. Try to save monthly or quarterly, just as you would if you were paying off a car or a mortgage. (Please note, such a period savings or investment plan does not assure a profit and does not protect against loss in declining markets.)
4. Keep a separate college account. The most popular are custodial accounts. These accounts ease the tax burden by allowing parents to shift some of their assets to the child at the child's lower tax rate.
5. Involve the family. Children are more aware of family finances and accept responsibility when they are involved. It also becomes easier for you if the child is able to contribute to the fund.

Create an incentive program with your child. Offer to match the money the child makes to his own account. Teach him or her to work and help contribute to their fund - they will value their education even more.

College funding takes discipline, effort, and planning. It's also becoming more complex every year. Rely on our financial planning expertise to help design a program that best fits your family's needs and situation.

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