



### Why Save for College?

- Saving for college **reduces student loan debt**. Every dollar you save is about a dollar less your child will have to borrow. Every dollar you borrow will cost about two dollars by the time you repay the debt.
- College savings **increases flexibility in college choice**. College savings lets children choose a more expensive college than they could otherwise afford. College savings empowers children.
- Saving for a child's college education significantly **increases the likelihood that the child will enroll in and graduate from college**, because it establishes an expectation that the child will go to college. College savings improves college access and success.
- College is one of the **biggest expenses** a family will face, behind buying a home and saving for retirement.
- Grandparents can **leave a legacy** for their grandchildren by contributing to a 529 college savings plan.

### It is Cheaper to Save than to Borrow

- If you save \$250 a month for 17 years at 4% interest, you will accumulate \$73,116, with 30% of the total coming from earnings and \$51,000 from contributions.
- If, instead of saving, you borrow \$73,116 in Federal Parent PLUS loans at 7% interest with 4% fees added to the loan balance and a 10-year repayment term, you will pay a total of \$106,117, **more than twice the total contributions**.
- Similarly, if you save \$200 per month for 10 years at 6.8% interest, you'll accumulate \$34,433. If you borrow this money instead of saving, you'll repay \$396 per month for 10 years.
- When you borrow, you pay the interest; when you save, you earn the interest.
- Families who save for both college and retirement end up with more money for retirement than families who save just for retirement, because **college savings reduces college debt**.

### Why Save with a 529 Plan?

- 529 college savings plans are among the best ways to save for college because they offer significant tax and financial aid benefits.
- Earnings in a 529 plan accumulate on a tax-deferred basis and **are entirely tax-free** if used to pay for qualified higher education expenses or K-12 tuition.
- 529 college savings plans offer 5-year gift tax averaging and other estate planning advantages.
- 34 states and DC offer **state income tax deductions and tax credits** for contributions to the state's 529 plan.
- The account owner retains control over the 529 plan.
- 529 plan accounts never expire.
- 529 plan funds can be used at many colleges and universities, including more than 6,000 U.S. colleges and more than 400 international colleges.



### How to Get Started?

- Consider 529 college savings plans in your state if your state offers a state income tax deduction or credit for contributions.
- Also consider 529 plans that charge low fees (under 1%). Minimizing costs is the key to maximizing net returns.
- Start with a small monthly contribution, such as \$25 a month. Once you get started, it is easier to increase the amount you save each month.
- Set up **automatic monthly transfers** from your bank account or paycheck to your children's college savings plans. Saving for college is easier when the savings are automatic.
- Choose an age-based asset allocation that starts with an aggressive mix of investments when the child is young and shifts to less-risky investments when college approaches.
- When your child is ready, shift spending on diapers and daycare to college savings.
- Ask friends and family to give the **gift of college** instead of holiday and birthday presents. Most 529 plans have gifting platforms.