

Saving for College

Considerations and ways to save

There are many ways to save for a child's college education, each with advantages and disadvantages. To determine which approach may work best for you, consider several factors.

» **Time.** How much or little time you have until your child enters college can heavily influence your saving options.

» **Income taxes.** Some methods for saving are more advantageous when you are in a high tax bracket versus a low tax bracket. Some accounts have beneficial tax treatment when used for college expenses.

» **Account control.** Most approaches allow a parent to maintain control of the savings while a child is considered a minor. Upon reaching the age of majority (typically 18), a child may be legally allowed to control how college saving money can be used for certain types of accounts.

» **Investment options.** Within certain accounts, there may be a limited number of investment options. Other accounts may allow a wide variety of investment options. Some investments are very safe, while others may take on significant risk levels offering higher potential rates of return.

» **Contribution amounts.** Some accounts may have limits on how much can be saved, while others are unlimited.

» **Impact on financial aid.** Certain types of accounts may or may not receive more beneficial treatment when applying for financial aid for college expenses.

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FOR COMPARISON
OF WAYS TO SAVE

Ways to Save

Type of Account	Federal tax benefit when contributed	Tax benefit when withdrawn	Parent maintains control of savings	Wide variety of investment options	Contribution limits
Savings account	No	No	Yes	No	No
Mutual fund	No	Partial	Yes	Yes	No
Custodial account	No	No	No	Yes	No
Coverdell Education Savings Account	No	Yes	Yes	Yes	Yes
529 Plan	No; state income tax deduction yes	Yes	Yes	Yes	Yes
US Savings Bonds	No	Depends	Yes	Yes	Yes
Traditional IRA	Maybe	Partial	Yes	Yes	Yes
Roth IRA	No	Partial	Yes	Yes	Yes

Beneficial financial aid treatment depends on the account owner; check with FAFSA for financial aid treatment.

For more information: <https://studentaid.gov/h/apply-for-aid/fafsa>



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