

Save for Your Children's Future

Parents of college-bound children can expect to pay approximately one-half to one-third of the cost of their children's education with their current income, savings and loans. Unfortunately for your pocketbook, aid from the government, colleges and private scholarships pay for only about one-third of all college expenses. Therefore, parents should start saving for their children's future sooner rather than later—even the day that your child is born isn't too early. The sooner you start saving, the better off you will be in the long run.

Saving early is the key to financial success in the future. Even modest savings can grow into significant investments by the time that your child is ready to head off to school. For instance, putting away \$50 a month beginning at your child's birth would yield \$20,000 by age 17, with a 7 percent return on your money. Bump that up to \$200 per month, and you would yield almost \$80,000 by age 17.

All in all, it is far less expensive to save ahead of time than it is to borrow money. When you save, your money earns interest, as opposed to when you borrow and must pay interest.

Tips for Easy Saving

- Start saving the day your child is born and save as much as you can. Start small and adjust your spending to increase your savings. Compounding interest will also make your savings grow.
- Save money on a consistent basis rather than on a random schedule. Consider setting up an automatic payroll deduction or have your bank automatically move money from your checking account to a college savings account.
- Establish a savings goal to measure how well you are saving and modify that goal as your salary increases.
- Save windfalls such as inheritances, income tax refunds or bonuses.
- Increase the amount you save by 5 percent each year to keep up with the college tuition inflation rate.
- Ask other relatives, such as grandparents, to contribute to the savings account in lieu of gifts.
- Place the money you once used for expenses that are no longer applicable into the savings account.
- Cut down on normal living expenses that are unnecessary and redirect that money to your savings account. This could include anything from extra movies and TV channels to meals out and shopping sprees.
- Teach your children about saving by getting them involved in the financial preparation for their education.

Plan Ahead

Get your own finances in your order while you save for your children. Make sure to pay off your credit cards, maintain a reserve of six months' pay in case of a job loss and save for retirement so that you are just as financially cushioned as your child's college fund.

This article is not intended to be exhaustive nor should any discussion be construed as legal or financial advice.