

# Save for College



Step 8 in Your Roadmap to  
Financial Independence

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Understanding the benefits of higher education, along with effective ways to pay and save for these expenses, can significantly ease the financial burden, and enhance the overall educational experience.



### Something to keep in mind

- Historically, college graduates earn more than those with only a high school diploma
- Even if you don't qualify for federal financial aid, there are several ways to cover education expenses
- College expenses will present a lower burden if you plan and save as soon as you are on-track for Step 7

## Ways to Pay for Education Expenses

- **Withdrawals from Personal Savings/Investments:** Save and invest funds today for use when needed. Parents and students can take advantage of education-specific savings accounts like the 529 Plan, which offers tax advantages for funds saved towards college expenses.
- **Scholarships and Grants:** Scholarships are often merit-based, while grants typically focus on financial need. Both can come from various sources, including federal and state governments, colleges themselves, and private organizations.
- **Work-Study Programs:** Many colleges offer work-study positions that provide students with a part-time job to help pay for education expenses.



- **Federal and Private Student Loans:** Federal student loans usually offer lower interest rates and more flexible repayment plans than private loans. It's crucial to understand the terms and conditions before committing to any loan agreement.
- **Federal Financial Aid:** Federal Financial Aid is administered through the Free Application for Federal Student Aid (FAFSA). This aid can include the previously mentioned grants, work-study programs, and federal loans. The FAFSA considers a family's financial circumstances to determine eligibility.



## Ways to Save for Education Expenses

- **Work and Save:** Students can find part-time employment before college to save towards their own education expenses. However, excessive working hours can hinder academic success. It's essential for students to balance work and study commitments to optimize their academic performance.
- **529 College Savings Plans:** These plans are tax advantaged savings accounts. Contributions grow tax-free, and withdrawals for qualified education expenses are not taxed.
- **Roth or Traditional IRA:** Money in an IRA can be withdrawn early to pay for tuition and other qualified higher education expenses without penalty. For a Traditional IRA, you'll be taxed on the full amount withdrawn. For a Roth, you'll be taxed only on the earnings.
- **Automatic Savings Plans:** Setting up automatic transfers to a savings account can simplify the saving process and ensure consistent contributions.



## Tax Credits

Don't forget to explore tax credits such as:

- Contributions to 529 and other Education Savings Accounts
- American Opportunity Tax Credit (AOTC)
- Lifetime Learning Credit (LLC)

### Next Steps:

1. Talk to your children about the benefits of education as early as possible
2. Explore all ways to pay for education expenses and determine which options are best for your situation
3. Open an account and start contributing

"The more that you read,  
the more things you will  
know, the more that you  
learn, the more places you'll  
go"

- Dr. Seuss



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