

It's Time To Get Smart About College Savings

(NAPS)—Fall: It's a time of bright leaves, crisp apples, family feasts and a chill in the air. But for many American families, there's a chill in the pocket-book, too, as parents around the country consider the daunting challenge of saving for their children's college education.

The cost of college is rising and Americans are wrestling with ever-increasing amounts of student debt. It has been estimated that by 2033, based on inflation rates, it could cost \$262,000 to cover four years of tuition, room and board at a private college. The situation isn't much better if you go the public route. Sending your child to a four-year state university could set you back up to \$134,000.

While saving for college may seem like an overwhelming task, there are tools available to make the impossible seem possible. One essential tool that all parents (and students) should consider is the 529 college savings plan, a tax-advantaged savings plan that is specifically designed to encourage saving for future college costs.

"A 529 college savings plan is an incredibly helpful investment tool to consider when it comes time to buckle down and save for college," said Rachel Ramos, Product Manager of Investment Services Wealth Management at Capital Group, home of the American Funds® and one of the world's leading investment management firms. "They are designed to benefit families and come with attractive and compelling benefits."

Why 529s Are so Valuable

A 529 plan should be a part of your college savings plan for many reasons:

- Investments within the plan grow tax-free, and in many states, the account owner is eligible for full or partial state income tax deductions for contributions to a 529 plan.



The sooner you start saving for your child's education, the better—and special investment plans can help.

- When money is withdrawn from the account, it is tax-free if the funds are used for qualified education expenses, including tuition, books, room and board, computers or other supplies.
- If your student is awarded a scholarship or doesn't use the entirety of the funds, the owner of the 529 account can change beneficiaries at his or her own discretion and without limitation.
- These accounts never expire, so those assets can be used for graduate school, or can even be passed down to younger siblings or future grandchildren.

"It's a common misperception that 529s are only for college savings," continued Ramos. "But 529s are surprisingly flexible. For example, if you're interested in pursuing higher education for a new hobby or skill, those expenses could be covered with money saved in a 529 plan."

Millennials—the generation seemingly most impacted by student loan debt—are very focused on saving for their children's education. According to a recent survey issued by Capital Group, 31 percent of millennials report that not having enough money to pay for their children's education keeps them up at night. A similar number, about one in

three, said that 529 college savings plans are a very important benefit an employer could offer.

How 529s Work

Think a 529 isn't for you? Consider this: Anyone, regardless of income, can contribute to a 529 account, making it a nice one-size-fits-all gift that never goes out of style. Plus, 529s are not just for saving for a child's education—529s can be used to explore intellectual passions and expand horizons well into retirement.

In a 529, investors are able to front-load up to five years in contributions, or contribute up to \$14,000 (\$28,000 for married couples) annually, without gift-tax consequences. These benefits make contributing into a 529 plan, or opening up a new one, an attractive gift choice for grandparents and family members.

How to Choose the Right 529

There are a number of choices that savers can make when choosing a 529 plan. Most importantly: Do your homework and select the right one for your family that will pay off in the long run. Determine investment goals and then find a plan with flexibility, low fees and low minimum investment.

In addition to state-sponsored 529 options, a number of investment firms offer 529s. CollegeAmerica® 529 Savings Plans, the nation's largest 529 college savings plan, is a strong option that offers low expenses and flexible, easy-to-use investment options, including target date funds. CollegeAmerica® has been consistently recognized by Morningstar®, an investment research and investment management firm, as a highly rated advisor-sold 529 plan.

Paying for college shouldn't be the most difficult part about college. Relax, take a deep breath and start saving.