Five Tips To Save For College

(NAPSA)—Wherever your children are in their educational paths, it's never too early—or too late—to save for college. The FINRA Investor Education Foundation has put together these five tips that can help you save for higher education.

1. Start now. Even as costs continue to rise, college remains within reach for many families, especially those that start saving early. The College Board reports that half of all full-time public and private nonprofit four-year college students attend institutions charging tuition and fees of $11,550. Small amounts of money, if invested early, can become sizable investments through compounding. For example, if you save $200 a month at a 6 percent annual rate of return for your newborn child, you will have more than $76,000 for college when she turns 18.

2. Take advantage of tax advantages. Consider tax-advantaged savings options such as a 529 college savings plan. These plans, available in every state and the District of Columbia, allow the money you earn to grow tax deferred. Withdrawals are tax free when used for qualified education expenses. You may also be able to take advantage of other tax benefits associated with a 529 plan.

3. Be mindful of investment risk. With most college savings investment options, you may lose money or your investment may not grow enough to pay for college. For example, if you invest in stock mutual funds, chances are the funds' annual performance will mirror the performance of the stock market. You may lose money during a declining market. On the other hand, while savings accounts or U.S. savings bonds typically protect the principal amount you save, the trade-off is that they likely will not keep pace with the increases in college costs.

Now is a good time to start saving for your children's education.

4. Factor in fees. Most college savings options have fees and expenses. Small differences in fees and expenses can translate into a large difference over time. If you invest in mutual funds through an Educational Savings Account (ESA) or custodial account, you should check the fee table in the prospectus. You can use the FINRA Investor Education Foundation's Fund Analyzer to compare fees to see how the costs of a mutual fund or 529 plan add up over time.

5. Understand the limitations and restrictions of your college saving options. Most tax-advantaged college savings plans come with rules for how and when you can use the money that has been saved. For instance, there are income phaseouts for ESAs and educational savings bonds.

For more resources, including our college savings calculator, visit the FINRA Foundation's website: www.SaveAndInvest.org/LearnMore.