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## Saving for College

A doctor or singer or maybe an astronaut? Young children have lots of dreams when it comes to what they want to be when they grow up. As a parent you play a big role in their childhood dreams!

### Small Savings Build Big Dreams

When children see their parents setting aside money for their education, it sends a powerful message to kids about their future. Saving a few dollars here and there can really add up over the years. Children who see their parents saving for college are:

- More **involved** in school and get higher grades.
- Four times more likely to **go to college**.
- Five times more likely to **graduate** from college.

As a parent, you have many demands for your money. Maybe you are paying off your own school loans too. Besides any savings you can set aside, your kids can also help by saving their own money. The good news is that any amount saved for your child's education makes a big difference.

## Why Save for Education?

Right now, the total cost for one year at a 4-year Wisconsin public university ranges between \$23,000 - \$30,000, including tuition, books, food, housing, and other living expenses. As your child gets older, these costs will continue to rise. Even a small amount saved will make it more likely that your child will pursue education after high school, an important step toward success in the job market.

- Through the 2020s, almost 8 in 10 jobs in the United States will require some workforce training or postsecondary education, according to the U.S. Bureau of Labor Statistics.
- More than 2/3 of parents say they would use their retirement savings to pay for children's post-secondary education, according to a 2021 survey.

- Workers with higher education take home bigger paychecks and have less unemployment than people who stop their education after graduating high school (U.S. Dept. of Labor).
- According to the U.S. Census Bureau, in the average Wisconsin county the median education premium for an associate degree is \$5,089, meaning degree recipients earn that much more than their peers without a degree.

If you are ready to start saving, the challenge can be figuring out where to begin. Turn the page for a few ideas to consider.



## Paying for College

Most families can't save all the money needed for their child's education. Paying for college usually includes:

- Saving some money ahead of time.
- Paying some expenses from current income.
- Both parent and child taking out student loans to pay back.
- Scholarships, gifts, or grants.

Even if your child gets some financial aid, that only covers a few costs like tuition and books.

## College Savings Options

There are lots of places to set aside money for school. Some ideas to consider include:

- **Wisconsin 529 Plan**—This investment account must be used to pay for expenses like tuition, books, and certain room and board costs at almost any university. With automatic deposits, the minimum monthly contribution is only \$15. Learn more about Edvest accounts at [www.edvest.com](http://www.edvest.com).
- **Coverdell**—This investment account is known as an Education Savings Account (ESA) and is used to pay for college expenses or tuition at private elementary or secondary schools.
- **U.S. Savings Bond**—Can be purchased at [www.treasurydirect.gov](http://www.treasurydirect.gov) or with your tax refund when you file your income taxes.
- **Savings Account**—Set aside money at a bank or credit union. Open the account in the parent's name but let children add money to it too.

### For More Information...

Visit our website for more financial education resources.

[finances.extension.wisc.edu/](http://finances.extension.wisc.edu/)

Contact your local Extension Educator:

[counties.extension.wisc.edu/](http://counties.extension.wisc.edu/)

For help with balancing your monthly spending plan, contact the nonprofit National Foundation for Credit Counseling (NFCC) at [www.nfcc.org/](http://www.nfcc.org/) or 800.388.2227.

## Does Help Sometimes Hurt?

Parents and relatives want to help but don't want to hurt the student's chances for grants and scholarships. When your child is a high school senior, plan to fill out the Free Application for Federal Student Aid (FAFSA). Your income, savings, and family size is used to decide how much federal student aid your child receives. The Expected Family Contribution (EFC) is how much savings and income your family must pay toward college.

The EFC:

- Is higher for higher income households.
- Is less if you have more than 1 child in college.
- Is not affected by money in parents' retirement accounts.
- Expects you to use some (but not all) of other savings toward a child's tuition.

When it comes to **need-based** financial aid, income is a bigger factor than having some money saved for college. To see how your income or savings might affect your child's financial aid, see [studentaid.gov/](http://studentaid.gov/) or [finaid.org](http://finaid.org) for an EFC estimator.

***Remember ~ you can help your child succeed in school and reach their dreams with just a small amount saved.***

Check out the Extension website for videos and helpful links to get your started at <https://finances.extension.wisc.edu/article-topic/saving-for-post-secondary-education/>

## To \$um It Up:

- \$ Talk with your child about school. Ask what he/she would like to do when they grow up.
- \$ Children with small amounts saved for college do better in high school.
- \$ The big price tag for college can be scary, but every \$1 you save is \$2 you won't have to borrow.
- \$ Having money in savings will be a factor in financial aid, but the bottom line is that saving money helps.

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