

# MONEY SMART FOR A HEAD START

## Saving for Post-Secondary Education

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 setting them on the path to make their dreams come true!



### Why Save for Education?

Right now, the total cost for one year at a 4-year Wisconsin public university ranges between \$23,131 and \$35,305, 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.

→ By 2031 72% of jobs in the United States will require some postsecondary education, according to the U.S. Bureau of Labor Statistics. That's up from 68% of jobs in 2021.

→ 72% of parents think that it's worth going into debt to pay for their children's education, according to a 2025 survey.

→ Workers with higher education earn more money and have less unemployment than people who stop their education after graduating high school (U.S. Bureau of Labor Statistics, 2023).

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.

### 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 when you can could really add up over the years. According to a study of San Francisco's

Kindergarten to College (K2C) program, children who see their parents saving for college are:

- More likely to graduate high school on time.
- More likely to go to college.
- More likely to graduate from college.

As a parent, you have many demands for your money. Maybe you are paying off your own student 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.

### 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 are used to decide how much federal student aid your child receives. The Student Aid Index (SAI) is how much savings and income your family must pay toward college. The SAI is a number between -1500 to 999999. The lower your number, the higher your financial need and the more aid you could potentially qualify for. To see how your income or savings might affect your child's financial aid, go to this site to get an estimate of the amount of aid you can expect: <https://studentaid.gov/aid-estimator/>. Also keep in mind that if relatives set up 529 accounts for your child those funds aren't counted toward your income on the FAFSA.

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



**Extension**

UNIVERSITY OF WISCONSIN-MADISON

## College Savings Options

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

**Wisconsin 529 Plan**—Savings that add up in this investment account can be used to pay for tuition and books. You can deduct up to \$5,130 in contributions from your state taxes each year. With automatic deposits, the minimum monthly contribution is only \$15. Learn more about Edvest accounts at <https://www.edvest.com/>

**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.

**530A accounts**—Authorized in the 2025 federal budget reconciliation bill, these accounts will provide \$1,000 deposits from the federal government to babies born between 2025 and 2028. Parents, relatives, and employers can contribute up to \$5,000/year to these accounts. Visit [trumpaccounts.gov](http://trumpaccounts.gov) for more information.

## References

- <https://www.ncan.org/news/690228/New-Study-College-Savings-Accounts-Closed-Enrollment-Gaps-by-One-Third.htm>
- <https://cew.georgetown.edu/cew-reports/projections2031/>
- <https://wallethub.com/blog/back-to-school-survey/52395>
- <https://www.bls.gov/emp/education-pays-handout.pdf>




## Paying for College

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

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

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

## To \$um it up

-  Talk with your child about school. Ask what they would like to do when they grow up.
-  Children with even small amounts saved for education are more likely to graduate high school and go to college.
-  The big price tag for college can be scary, but every \$1 you save is \$2 you won't have to borrow.

## Want to Learn More?

- Visit our website for more financial education resources. <https://finances.extension.wisc.edu>
- Contact your local Extension Educator: <https://counties.extension.wisc.edu>
- For help with balancing your monthly spending plan, contact the nonprofit National Foundation for Credit Counseling (NFCC) at <https://www.nfcc.org> or 800.388.2227.