



9 Ways to Save for Your Children's Future

Unfortunately for your wallet, aid from the government, colleges and private scholarships only covers about one-third of all college expenses. To help your children get a financial head start, it's important to have an education savings plan. The sooner you start saving, the better off you will be in the long run, and even modest savings can grow into significant investments by the time your child is ready to head off to school. All in all, it is far less expensive to save ahead of time than it is to borrow money, since you'll be earning interest instead of paying it. Here's how to get started saving:

- 1.** Start saving as soon as possible and save as much as you can. Compounding interest can help your savings grow more quickly; for example, putting away \$50 a month beginning at your child's birth would yield \$20,000 by age 17, assuming a 7 percent return on your money. Bump that up to \$200 per month, and you would yield almost \$80,000 by age 17.
- 2.** Save money on a consistent basis rather than on a random schedule. Consider setting up an automatic payroll deduction or have your bank automatically move money from your checking account to a college savings account.
- 3.** Establish a savings goal to measure how well you are doing, and modify that goal as your salary increases.
- 4.** Save windfalls such as inheritances, income tax refunds or bonuses.
- 5.** Increase the amount you save by 5 percent each year to keep up with the college tuition inflation rate.
- 6.** Ask relatives to contribute to the savings account in lieu of gifts.
- 7.** Place the money you used for outdated expenses into a college savings account, and cut down on current expenses to redirect that money to college savings as well. This could include anything from extra TV channels to meals out.
- 8.** Teach your children about saving by getting them involved in the financial preparation for their education.
- 9.** Make sure to pay off your credit cards, maintain a reserve of six months' pay in case of a job loss and save for retirement so that you are just as financially cushioned as your child's college fund. This helps protect both you and your children from having to dip into college savings to cover other expenses.

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