CAPS | PARENT EDUCATION SERIES

College Savings Education

Smart strategies for preparing for future college expenses

College savings is more than putting money aside. The right approach balances education goals, financial aid considerations, taxes, investment risk, and your family's other priorities.

Know Your Savings Options

529 college savings plans: Tax-advantaged education accounts. Investment growth and withdrawals for qualified expenses are generally federally tax-free; some states offer additional tax benefits.

Savings accounts and CDs: Straightforward, generally lower-risk options for money needed soon, although interest may be taxable and returns may not keep pace with college costs.

UGMA/UTMA custodial accounts: Assets legally belonging to the child, typically counted as student assets for FAFSA purposes and potentially reducing need-based aid more than parent assets.

Roth IRAs: Retirement accounts that can offer limited education-related flexibility under tax rules. Using retirement funds for college can jeopardize long-term security.

How Savings May Affect Financial Aid

Parent vs. student assets: FAFSA generally assesses reportable student-owned assets at a higher rate than reportable parent-owned assets. **Retirement accounts:** Qualified retirement balances are generally excluded as FAFSA assets. **529 plans:** Treatment depends on ownership and the applicable aid methodology. Some colleges use the CSS Profile, which can apply different rules.

Four Practical Savings Strategies

1. Start early and save consistently—even modest contributions can grow over time.
2. Match the account to your timeline, tax situation, risk tolerance, and aid considerations.
3. Protect emergency reserves and retirement savings before committing more to college.
4. Review your plan annually as college costs, family circumstances, and aid rules change.

Ask yourself: Are we saving in a way that supports both our college goals and our potential financial aid eligibility?

Take the Next Step

Schedule your complimentary 20-minute college planning consultation.
calendly.com/caps-planning-info/introduction-meeting

Educational information only; not individualized investment, tax, or legal advice. Tax and financial aid rules vary by account, institution, and family circumstances.