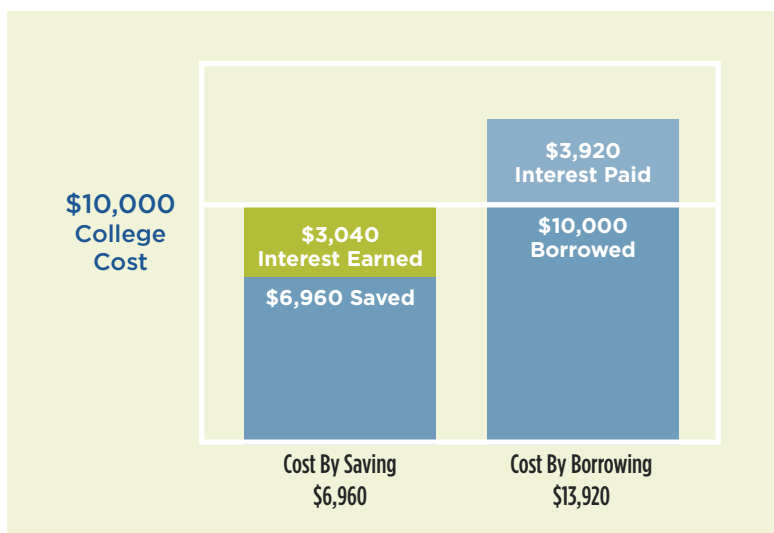


# Saving for College

While education loans are frequently an option when it comes to paying the college bill, using savings is a much more cost-effective strategy. Borrowing money means spending your future income plus interest.

When you save for college instead of using loans to cover education costs, you earn interest instead of paying interest. For example,\* to accumulate \$10,000 in 10 years at 7% interest, you'd need to save \$58 per month. To borrow \$10,000 over 10 years at 7% interest, you'd have to repay \$116 per month.

## The Real Cost of Borrowing\*



*\*Estimate only. Market conditions may change.*

In this example, you actually make a cumulative investment of \$6,960 and earn interest of \$3,040 to reach \$10,000 in savings. If you take out a loan for \$10,000, you will pay an additional \$3,920 in interest, for a total of \$13,920. So repaying the loan instead of saving will cost an additional \$6,960.

How do we start saving for college?

## 10 Tips for Saving for College

- 1 Set a clear goal that you can attain within your particular timeframe.
- 2 Add saving for college to your regular budget, like saving for retirement or paying your household bills.
- 3 Set up regular, automatic transfers to move money into your savings account. Increase the amount every time you get a pay raise.
- 4 If you receive a bonus, tax refund or other unscheduled income, set a portion of it aside for college.
- 5 Get your children involved: ask them to save a certain portion of their allowance or earnings from after-school jobs.
- 6 Consider starting a college savings plan, like the U.Fund or U.Plan, and for special occasions like birthdays, ask family members to contribute.
- 7 Save and roll your change, and deposit it at the bank.
- 8 Bring your lunch to work. It can save you up to \$2,500 per year.
- 9 Continue to make childcare payments into a savings or investment account after your child enters school.
- 10 Consider other factors in your situation:
  - A. Will the student be attending longer than 4 years? Many students continue their college education through graduate school.
  - B. Do you have multiple children?