

Options for Funding Child's college

Make an informed estimate of how much you are willing and able to fund- In order to plan how much that you might need to save for your child's college, you will have to decide what kind of school you will be willing to pay for and for how long. Use the calculator at this website and it will guide you to make a few alternatives:
<http://www.collegesavings.org/collegeCostCalculator.aspx>

1. **Understand the Tax Benefits** A number of college savings options offer tax-advantaged ways to save. Taking advantage of these savings options may greatly affect how much you can accumulate for your child's college education. In addition to the federal tax benefits of many college savings options, there may also be state tax benefits. Savings bonds are usually exempt from state and local taxes. Many states allow you to deduct some or all of your contributions to a [529 plan](#) if you're a resident of the state sponsoring the plan. In addition, states may offer [other tax advantages](#) for 529 plans. Because of these state tax benefits, you might want to check out your own state's 529 plan before considering other plans. Everyone's tax situation is different, and state and federal tax law can be complex. You may want to consult with your tax adviser about which college savings options are best for you.
2. **Examine Fees and Expenses** All of the college savings options discussed above involve various fees and expenses. A college saving option with higher costs must perform better than a low-cost option to generate the same returns for you. Even small differences in fees and expenses can translate into a large difference over time. While we explain the various expenses involved with many 529 plans, that does not mean that other college savings options don't have fees and expenses. If you invest in [mutual funds](#) through an ESA or custodial account, you should check the fee table in the [prospectus](#) to see how the costs of a mutual fund add up over time. If you invest in stock, make sure you understand how much in commissions you must pay and factor this into any gain you may make.
3. **Know the Risks As Well As the Rewards of Your College Savings Options** Compared to saving for retirement, your college saving timeline is relatively short. At most it may be 18 years. And for many people, it's a lot less. This can impact your ability to weather a market decline and increases your risk. Before investing in any college saving vehicle, carefully evaluate it and its investment options. Investment options with higher rates of return may take risks that are beyond your comfort level and are inconsistent with your goals. To learn more about the investment strategy of investment options you are considering and their risk, you should read the following materials:
 - **529 Plans.** Read the offering circular or prospectus. It usually contains the investment strategy and risks of a 529 plan and its investment portfolios. Most 529 plans provide this document on their Web sites.
 - **Mutual Funds.** Read the prospectus and shareholder reports. Prospectus and shareholders reports are usually available from mutual fund companies or your financial professional. Mutual fund prospectuses also are available in the SEC's [EDGAR database](#).
 - **Stocks and other securities.** Read a company's [registration statement](#) or annual ([Form 10-K](#)) and quarterly ([Form 10-Q](#)) reports. These are typically available in the SEC's [EDGAR database](#). For companies that don't file in EDGAR, email the SEC's [Office of Investor Education and Advocacy](#), or call (202) 551-8090, to see whether the company has filed any documents with the SEC.
4. **Understand Your College Savings Plan's Limitations and Restrictions** What happens to your college savings if your child decides not to go to college, you have another child or you lose your job? These events and many others could dramatically impact your college savings strategy. Unfortunately, most college savings options have various restrictions and limitations that may impact your ability to react to a changing situation. Review carefully any college saving options you're considering to make sure they have the flexibility and control you feel you need.

Our [College Savings Plan Comparison Chart](#) will help you understand and compare the various restrictions and limitations of each option.