Asset Strategy

Helping You Create, Manage, Protect, & Distribute Wealth®

2026

COLLEGE SAVINGS GUIDE

Introduction

With college tuition rising every year, saving for college may appear to be an overwhelming task.

Many American families rely on federal or private student loans to pay for education. If you believe that taking out loans and repaying them later is a better strategy, think again. When you take out a loan, you must repay it with interest. You will have paid far more than you borrowed by the time you have paid off the loan. Many people struggle for many years after graduation to repay their student loans.

Saving for college is a much wiser choice than taking out a loan. Even if you don't save enough to cover the entire cost of education, whatever you do save will assist to reduce the amount you borrow by that much. This can make a significant impact in terms of the amount of interest you save.

If you don't have a plan for saving for college, now is the time to start.

Start Saving Early

#1

When is the right time to start implementing a savings strategy?

Despite how cliché it may sound, starting college savings early is always a good idea. You can start when your child is still in elementary school.

A college education with minimal loans is arguably the best gift you can give your child. It's crucial to keep in mind that the earlier you begin saving, the more time you have to grow your savings.

It is much more manageable and less stressful to save a few dollars a month for ten years as opposed to hundreds of dollars a month for a year.

Starting early also gives you the advantage of having more money to invest for faster growth. With the right investment, your seemingly insignificant monthly savings can increase many times over. It's a win-win situation when it comes to college savings. Even modest monthly contributions can grow meaningfully over time through compounding.

Save Gift Money for College

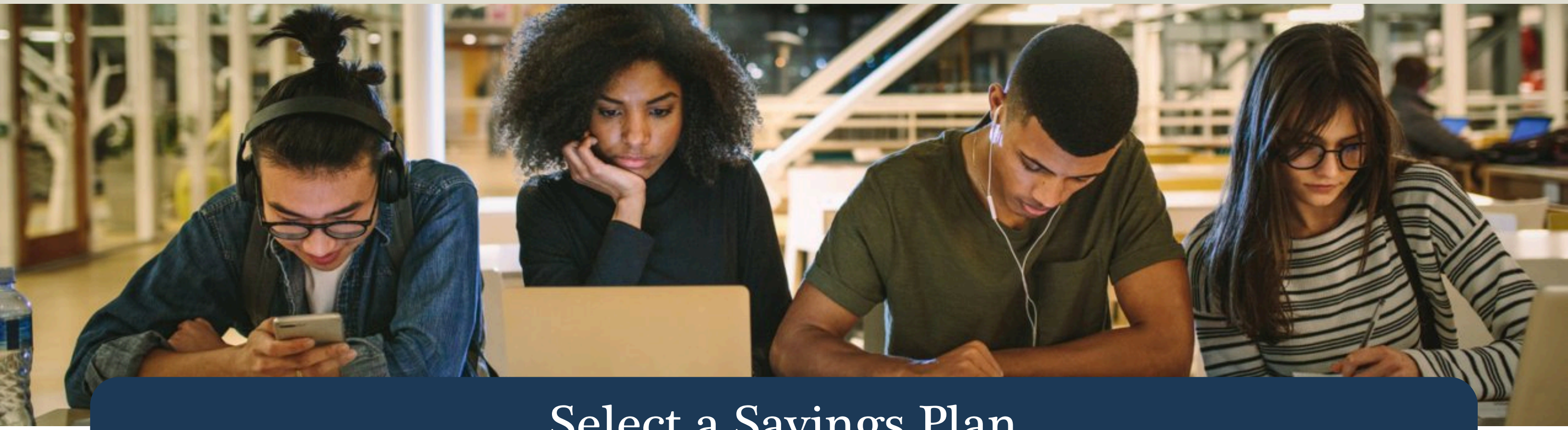
#2

Gifts from loving grandparents and other family members are often given to children throughout the year. While toys and similar items may capture a child's attention in the moment, the excitement is typically short-lived.

Redirecting those gifts toward a child's college fund can be a far more meaningful and lasting use of the money.

One approach is to let family members know that, while their generosity is deeply appreciated, your child already has plenty of toys.

You can then suggest that a contribution to the child's college fund would have a greater long-term impact. This would help support their future while honoring the giver's intention to make a difference.



Select a Savings Plan

#3

There are several different savings strategies to choose from when it comes to saving for college, but one of the most popular plans is the 529 Savings Plan.

Tax-advantaged growth and tax-free withdrawals for qualified education expenses are among the greatest benefits of a 529 plan. Some states may also offer state tax deductions or credits for contributions.

The specific advantages may differ by state, and some states allow you to deduct your contributions from your contributions.

It is important to look into your cash flow in order to determine how much to contribute. You should be realistic about how much you can afford to give each year without jeopardizing other living costs or saving for other goals.

Set Up a Dedicated Account

It is best to **establish a separate account for college expenses**, whether you use a bank savings account or a 529 plan.

You are committing yourself when you start a college savings account.

#4

You're less likely to access the account and take money out for non-college expenses since you're always conscious that the funds are set aside for a specific purpose.

Diversify Your College Saving Strategy

#5

It's tempting to put all of your extra money into accounts or assets that promise the highest returns, such as a 529 plan.

This, however, is not a wise financial approach.

If the pandemic has taught us anything, it is the significance of having some **financial flexibility**.

This way, if one avenue closes or fails for any reason, you won't lose your entire investment.

Consider distributing your money over three types of investments: Financial Advisors always recommend putting some in **high-risk**, **high-return accounts**, some in **medium-risk**, **medium-return accounts**, and others in **low-risk**, **low-return accounts**. This diversification can occur both within and outside of college-specific savings accounts.

Automate The Process When You Can

#6

When your child is still young, it might feel unnecessary to start saving for college right away.

It can be tempting to use that money for enjoyable activities like dining out or a spa day.

To prevent this temptation, consider automating your savings.

Set up a system where a portion of your paycheck is automatically deposited into your child's college fund each month.

This straightforward method can enhance your savings over time.

Remember... you can't spend money that you don't see.

Make it easier on yourself by automating your contributions and avoid the urge to spend.

Put That 'Found' Money To Good Use

#7

When discussing saving for college or other goals, we often emphasize regular income like your wages...

However, additional funds often come in throughout the year from sources such as inheritances, job bonuses, tax returns, or unexpected windfalls.

Don't overlook these funds or squander them.

The smartest move with this '**extra**' money is to allocate it towards college savings.

Even the smallest of contributions can accumulate significantly in your savings account over the course of a year.

Try to Cut Back on Unnecessary Expenses

Needless to say, but the most effective way to save money is by **reducing unnecessary expenses**!

Are you paying for streaming services you rarely use?

What about music or audiobook subscriptions that go unused?

Identify and eliminate these hidden costs, then increase your automatic savings deposits by the same amount.

#8

Refinance Your High-Interest Debts

#9

Paying off debt is crucial for financing your child's college tuition.

By eliminating high-interest obligations, you free up money that can be redirected to a college savings account.

Start by focusing on the highest interest debts first, and once cleared, use the funds saved from interest payments to boost your child's education fund.

This strategic approach not only reduces financial stress but also ensures that you are better prepared for future tuition expenses.

One Step at a Time

Saving for your child's college education doesn't have to be overwhelming.

#10

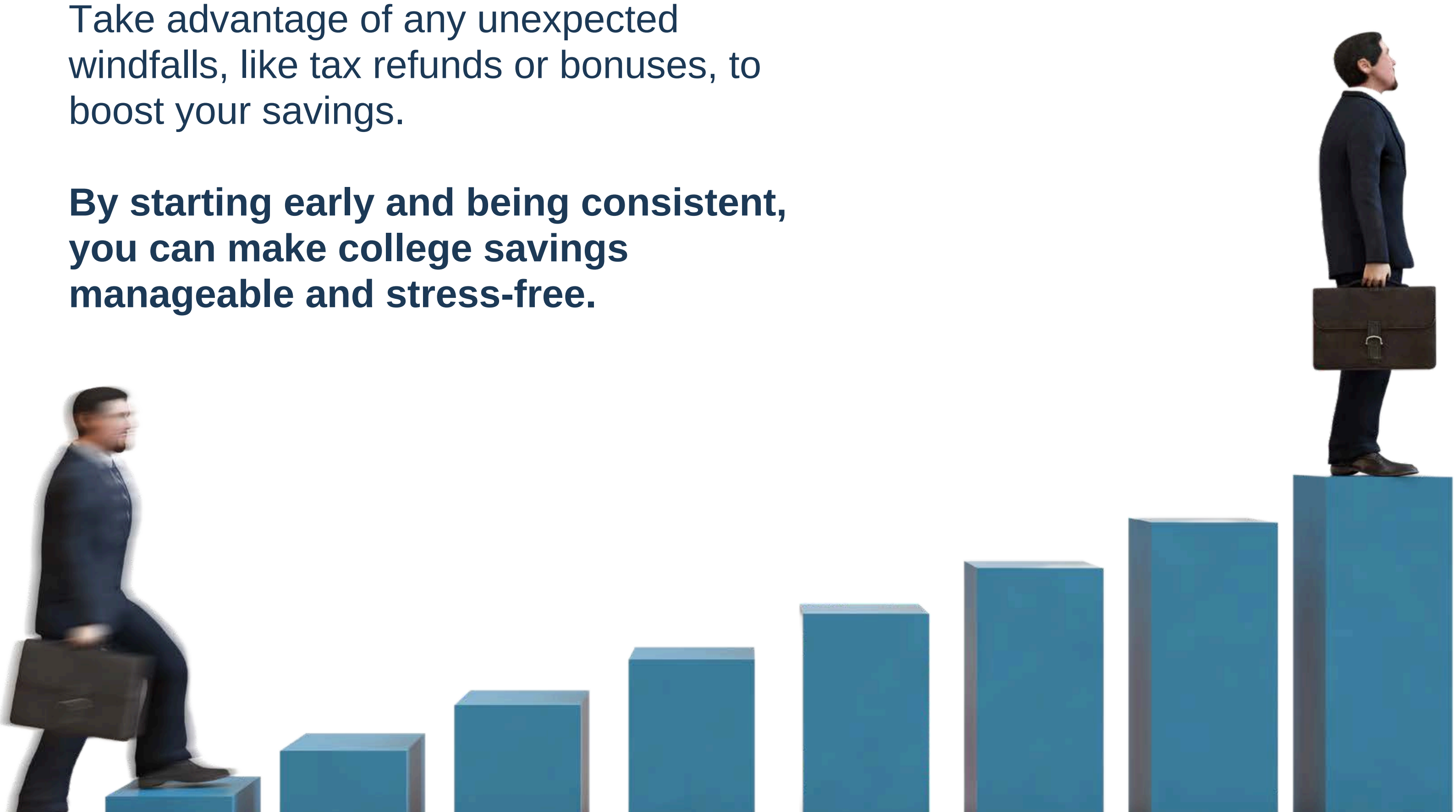
Start small by setting aside a modest amount each month into a dedicated savings account or a 529 plan.

Automate these contributions to ensure consistency.

Over time, even small, regular deposits will grow significantly.

Take advantage of any unexpected windfalls, like tax refunds or bonuses, to boost your savings.

By starting early and being consistent, you can make college savings manageable and stress-free.



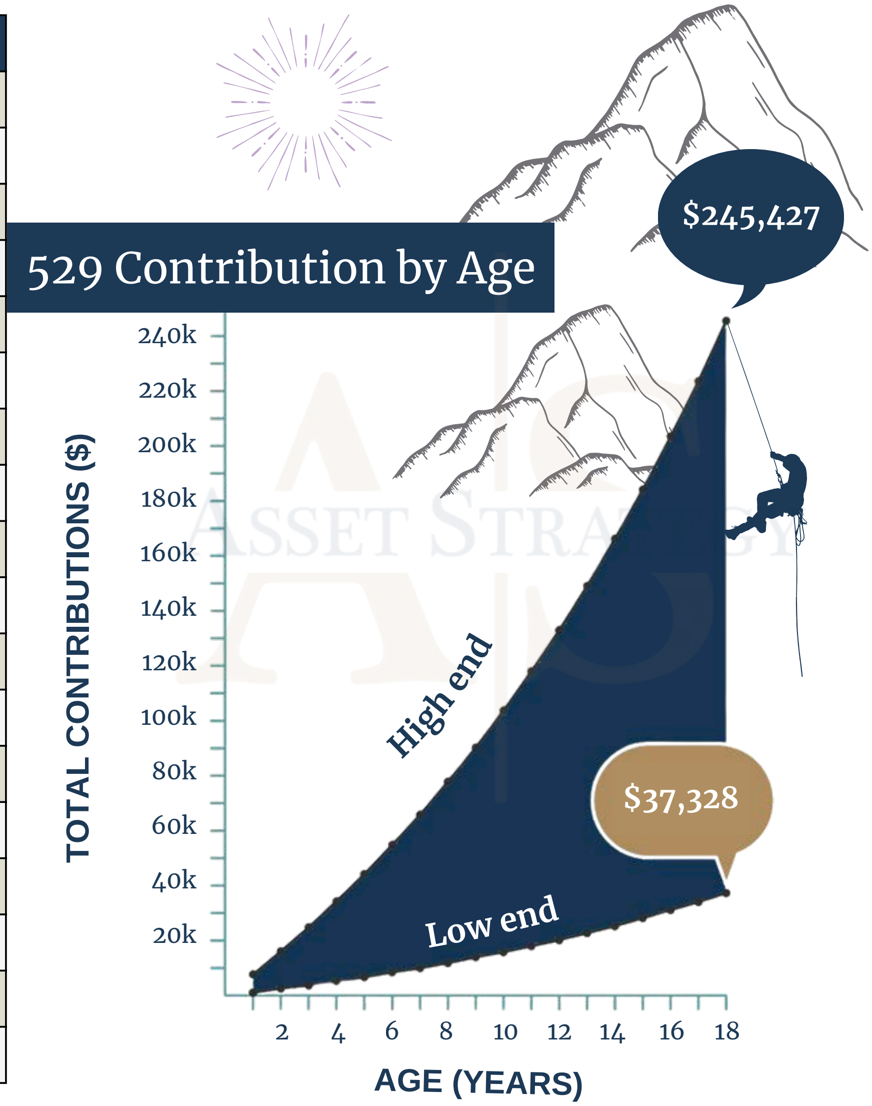
For an estimate of how much to start saving, here are the average costs of attendance for the 2025–2026 school year:

- **Public Two-Year College: $20,570**
- **Public Four-Year In-State College: $29,910**
- **Public Four-Year Out-of-State College: $49,080**
- **Private Four-Year College: $62,570**

Figures are shown in today's dollars and do not guarantee future costs.
Source: https://lendedu.com/blog/average-cost-of-college-statistics as of 1.8.2026

How Much You Should Have In Your 529 At Different Ages?

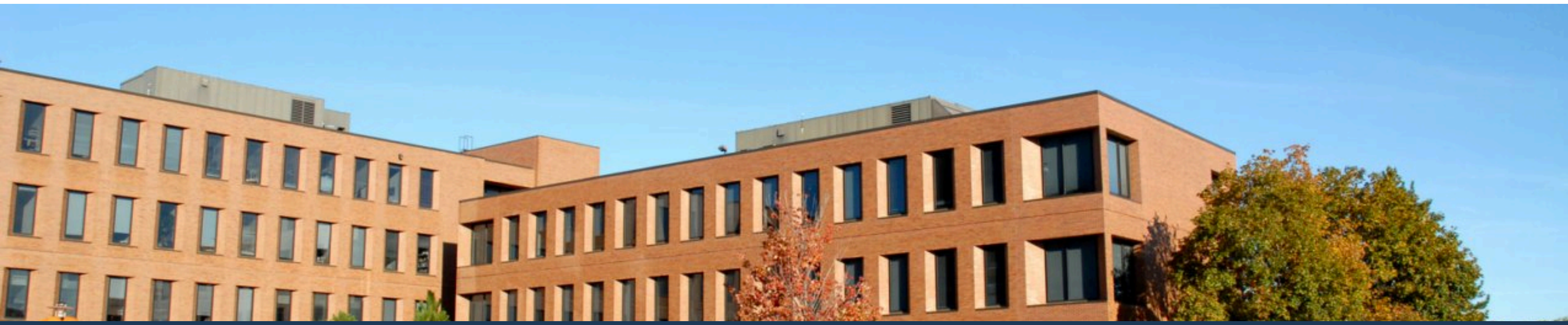
Age	Low End	High End
1	$1,189	$7,816
2	$2,451	$16,144
3	$3,791	$24,923
4	$5,213	$34,276
5	$6,723	$44,206
6	$8,327	$54,749
7	$10,029	$65,941
8	$11,836	$77,824
9	$13,755	$90,440
10	$15,792	$103,834
11	$17,955	$118,054
12	$20,251	$133,151
13	$22,689	$149,179
14	$25,277	$166,196
15	$28,025	$184,263
16	$30,942	$203,444
17	$34,039	$223,807
18	$37,328	$245,427



These numbers are intended as general college savings amounts, specific dollar values for individuals may vary.
Source: https://thecollegeinvestor.com/16964/how-much-you-should-have-in-a-529-plan-by-age as of 12.1.2025

Account Type	Tax-Exempt Growth	No Income Limits	No Annual Contribution Limits	Favorable Financial Aid Treatment*
529 College Savings Plan	YES	YES	YES	YES
529 Prepaid Plan	YES	YES	YES	YES
Coverdell ESA	YES	NO	NO	YES
UGMA/UTMA	NO	YES	YES	NO
Roth IRA	YES	NO	NO	LIMITED
Investment (Brokerage) Account	NO	YES	YES	YES
Checking or Savings Account	NO	YES	YES	YES

* “Favorable” refers to how the account is treated under FAFSA rules when owned by a parent. Roth IRA assets are excluded from FAFSA, but distributions may be treated as income.
Source: https://www.investopedia.com/articles/markets-economy/081716/4-smart-529-plan-alternatives-consider.asp as of 11.2.2025



Ask Us About

Qualified Tuition Programs (529 Plans)

Earnings grow tax-deferred, and qualified withdrawals are tax-free when used for qualified education expenses, generally including tuition, required fees, books and supplies, and (for students enrolled at least half-time) room and board. Certain additional uses may also be permitted under current federal rules. Plan features and state tax benefits vary by state, so eligibility should be confirmed before making withdrawals.

Coverdell ESAs (Education Savings Accounts)

Earnings grow tax-deferred, and distributions are tax-free when used for the beneficiary's qualified education expenses. Coverdell ESAs may be used for a broad range of K-12 and post-secondary education expenses. Annual contributions across all Coverdell ESAs for a beneficiary are generally limited to $2,000 per year, and income limits apply.

U.S. Savings Bonds

Series EE and I savings bonds issued after 1989 and purchased by an individual age 24 or older may qualify for a federal tax exclusion on interest when bond proceeds are used to pay qualified higher education expenses, primarily tuition and required fees. Income limits apply, and the exclusion is subject to phaseouts based on modified adjusted gross income.

Individual Retirement Accounts (IRA)

The 10% early withdrawal penalty is generally waived when Roth IRAs or traditional IRAs are used to pay qualified higher education expenses for yourself, your spouse, your children, or your grandchildren. However, income taxes may still apply, particularly on earnings from traditional IRAs and certain Roth IRA withdrawals. In addition, using retirement funds for education may reduce long-term retirement savings and could affect future financial aid calculations if distributions are treated as income.

American Opportunity Tax Credit (AOTC)

For the 2026 tax year, the American Opportunity Tax Credit provides a credit of up to $2,500 per eligible student, calculated as 100% of the first $2,000 of qualified education expenses and 25% of the next $2,000. Up to 40% of the credit (up to $1,000) may be refundable. Eligibility is limited to the first four years of post-secondary education, and the student must be enrolled at least half-time in a degree program. Income phaseouts apply based on modified adjusted gross income.

Lifetime Learning Tax Credit

For the 2026 tax year, the Lifetime Learning Credit allows taxpayers to claim 20% of up to $10,000 in qualified education expenses, for a maximum credit of $2,000 per tax return. Unlike the AOTC, the Lifetime Learning Credit does not require degree enrollment or half-time attendance and may be claimed for an unlimited number of years, subject to income limits. The credit cannot be claimed in the same year as the AOTC for the same student.

Student Loan Interest Deduction

For the 2026 tax year, eligible taxpayers may deduct up to $2,500 of interest paid on qualified student loans. The deduction is subject to income phaseouts based on modified adjusted gross income. Taxpayers who can be claimed as dependents on another return are generally not eligible for this deduction.

Tax-free Scholarships

Most scholarships and grants are tax-free when used for qualified education expenses, such as tuition, required fees, and required course-related books and supplies. Amounts used for room and board or received as compensation for services (such as teaching or research) are generally taxable.

Tax-free Educational Assistance

Under a qualified employer Section 127 educational assistance plan, employers may provide up to $5,250 per employee per year in tax-free educational assistance. The education does not need to be job-related, but the benefit applies only to the employee and cannot be used for children or other family members.

Source: https://www.irs.gov/newsroom/529-plans-questions-and-answers as of 5.4.2025

If you have any questions about college saving,
feel free to reach out to our team.
Set up a 15-Minute Discovery Call at:
www.assetstrategy.com/contact

www.assetstrategy.com
781-235-4426
info@assetstrategy.com

Disclosure:

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A 529 plan is a college savings plan that allows individuals to save for college on a tax-advantaged basis. Every state offers at least one 529 plan. Before buying a 529 plan, you should inquire about the particular plan and its fees and expenses. You should also consider that certain states offer tax benefits and fee savings to in-state residents. Whether a state tax deduction and/or application fee savings are available depends on your state of residence. For tax advice, consult your tax professional. Non-qualifying distribution earnings are taxable and subject to a 10% tax penalty.

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