

# How to Save for College, No Matter When You Start

Next to saving up for a house, no price tag will likely be as heavy or involved as saving for college. US News reported that the average cost of tuition for the current 2020–2021 school year was “\$41,411 at private colleges” — for many Americans, one year of tuition can come close to one year’s salary. (US News also shared that prices are lower for state residents of public colleges, where the mean is \$11,171.) Those fees can be a pretty penny for just one child, let alone multiple. And with more and more jobs requiring college degrees — The New York Times reported in December that “for 74% of new jobs in America, employers frequently require four-year college degrees” — it is increasingly important to save strategically to mitigate the cost of an expensive tuition. Daunting as saving may be, First Hope has a number of practical and efficient tips to make this process as smooth as possible.

## Start Saving Right Away

The sooner the better, but it’s never too late! This principle could be applied to any financial-oriented goal, but it’s doubly true for college saving. If you don’t already have one, create a unique savings account dedicated to one and one thing only: college tuition. Calculate how much money you can put away and make it a habit so you don’t miss that money. Over time, see if you can add a greater percentage of your paycheck to the account, or cut spending elsewhere to add more to it. And involve the family: if your child receives birthday or holiday gifts from them, suggest making a gift to their tuition instead. Every little bit helps!

## Research Colleges to Track Tuition Prices and Scholarships

So, you’ll know more or less how much you can expect to spend, speak with your child about what colleges are on their reach, match, and safety list. Then, research those tuitions to see if they are something you can afford — and track if that is doable with or without loans. Once you have a narrowed down list, you’ll know what figures you are working with, and what opportunities each school may offer. It can take some time to dig around, but many schools offer a variety of scholarships, none of which should be ignored. Make this a collaboration with your child so they understand what extra effort will be needed to apply for these special applications.

## Follow the One-Third Rule

Numbers will always vary, but a good rule of thumb for paying for college is the rule of thirds: pay with one-third from your savings, one-third of your current income, and one-third from student loans. This method insinuates a few key things: your savings nest should be large enough to accommodate, you will have to maintain your income to commit to four years of tuition payments, and you and your child will have to plan ahead for how loans will be handled post-grad.

## Look Into 529 Plans

529s are state-offered plans that allow account holders to invest after-tax money, letting it grow tax-free. A big plus to these plans is that withdrawals are not subject to federal taxes — the catch is that the payments must be used for certified educational fees. There are contribution limits, and plans will vary state to state, so it's incumbent on savers to do their research and look into how this plan can work for them — no matter where they are at in the college saving process.

## Invest Wisely, not Wildly

Moving up and down with the market, funds in stocks and IRAs can entice parents who want to get fast money. But we all know that the realities of investing are inherently more complex. Yes, your dollar will

often go further when it's not sitting in a low-interest savings account, but depending on how much time you have until tuition is due, it could be risky to put all your eggs in one basket. The age of your child will determine how much you can invest, as will a host of other figures: your income, loans, mortgage, and more. Your bank can be your most important asset here, helping you determine how much to invest and how to monitor it carefully.

***Our Financial Advisors at First Hope Bank Wealth Management help parents plan for college no matter where they are in the process. To learn more about saving for college or college funding options, visit us at [www.raymondjames.com/firsthopewealthmanagement](http://www.raymondjames.com/firsthopewealthmanagement)***

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***As with other investments, there are generally fees and expenses associated with participation in a 529 plan. There is also a risk that these plans may lose money or not perform well enough to cover college costs as anticipated. Most states offer their own 529 programs, which may provide advantages and benefits exclusively for their residents. The tax implications can vary significantly from state to state.***



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