

Perspective from
Franklin Templeton
Wealth Planning

It's not too early to start saving for college

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Bill Cass, CFP®, CPWA®
Director of Wealth Planning
Franklin Templeton



With a growing family, financial planning can become more complex. At the same time, saving for education is more important than ever.

It's never too early for families to start planning for the cost of education.

In fact, saving as much as possible early on can help families benefit from the power of compounding their earnings over time.

Rising costs and future resources

Today, saving for college is more important than ever.

The rising costs of higher education are well documented. The average cost of attending a public four-year college rose 36% from 2004 to 2024.¹ Families and students understand the challenges of paying for college. A recent survey found that 57% of high school students are saving for higher education, up from 50% the previous year. More than half (56%) plan to pay for all or part of their college costs, up from 48% last year. Additionally, 80% plan to work full or part-time while in college.²

The future of public resources is also uncertain, as the federal government focuses on reducing debt and cutting spending.

Step one: Seek advice

How families save can make a difference in meeting their goals. Families can choose different types of accounts and investments. This can be a complicated process as well. Families may want to consider seeking professional advice on college planning.

1. The College Board, Trends in College Pricing 2024. As of 2024.

2. College Savings Foundation, 15th Annual Youth Survey of 1,000 Gen Z High School Students, May 2024.

Some common ways to save for college include 529 plans, custodial accounts and Roth IRAs. It is important to understand how these accounts differ in terms of ownership, tax treatment, qualified use of funds and impact on federal financial aid. See our education piece for more details, “Early college planning for a growing family.”
(See <https://franklintempletonprod.widen.net/s/mblktqmgz8/early-college-planning-for-a-growing-family-flyer-cpfgr-fl>)

Put time on your side

Starting early gives families more time to save, earn interest and take advantage of tax benefits. It also provides more flexibility to make changes to the savings plan or use the money for education expenses before college.

Here are some tips for families starting to save while children are young.

Infants and pre-school age children

Some families start saving before a baby is even born. With a 529 savings plan, for example, parents may establish an account using their own Social Security number and name their child as the beneficiary later.

Starting early allows the account to invest through multiple market cycles. If families choose a 529 plan they have the flexibility to adjust investments over time.

Saving with a 529 plan, even when a child is very young, will give you the flexibility to use funds to pay for K-12 tuition (up to \$10,000 per student annually) or a qualified apprenticeship, as well as college costs.

Elementary and middle school (ages 5 to 13)

As your family grows, set up additional savings accounts that focus on the age and goals of the child. If more than one child will attend college at the same time, be sure to include this factor in your planning.

Additional planning considerations:

- **Pay off debt and maintain emergency savings:** Don't forget to pay off debt, keep an emergency fund and save for retirement.
- **Review your goals:** Regularly check and adjust your short-term and long-term investment plans.
- **Use college savings calculators:** These can help you figure out how much to save.
- **Ask for help:** Encourage grandparents and other family members to contribute to the college fund as gifts or for special occasions.
- **Explore different savings options:** Consider utilizing a variety of savings vehicles help you meet your objectives. Explore prepaid tuition plans that lock in rates for in-state public colleges. A Roth IRA can be used to save for both education and retirement.

Meeting your goals

Developing a comprehensive financial plan can help position you to meet your goals and to fund a college education. College costs have risen consistently over decades and saving is not always easy, particularly with competing financial priorities, such as daily expenses, mortgages and retirement savings.

Guidance from a financial professional can be a key resource. The Franklin Templeton Academy also has resources to assist you with college planning.

For more information, speak with your financial professional.

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