

THE BENEFITS OF EARLY STARTS IN COLLEGE SAVINGS

Planning ahead now can result in brighter futures



When kids enter our lives, we often live in the moment instead of planning ahead. We should consider, though, that it's never too early to start investing in our children's future—literally. By saving for their college education sooner rather than later, we can have more peace of mind when it's time for them to leave home and head off to college.

Learning about the actions we can take now to help reduce college debt in the future may be one of the best investments we can make—whether our kids are already in high school or still in the cradle.

Calculating the costs—and benefits

Search on the internet for “college cost calculators” and you'll find a lot of different options to help you project how much you should save. In April 2023, the Education Data Initiative reported that 43.8 million borrowers have federal student loan debt totaling \$1.635 trillion, with the average federal student loan debt balance at \$37,338. If you include private loan debt, the total average balance may be as high as \$40,111.¹

Although college debt may cause graduates to delay making a large purchase, such as a house, their degree will earn them considerably more money over their lifetime. The average starting salary for college students graduating with bachelor's degrees in 2022 was \$55,260, according to the career website Zippia. However, some electrical engineering and computer science majors earned as much as \$108,500 annually during their first five years after graduation.²

For most people, an investment in a college degree is well worth the time and money. Someone with a bachelor's degree earns 75% more than they would have with only a high school diploma.² A study published by the Association of Public and Land-grant Universities (APLU®) revealed that college graduates, on average, make \$1.2 million more over their lifetime than those with a high school diploma.³

¹ Education Data Initiative: [Student Loan Debt Statistics, April 1, 2023](#)

² Zippia: [Average Starting Salary out of College, Feb. 27, 2023](#)

³ APLU: [How does a college degree improve graduates' employment and earnings potential?](#)

Planning now may dramatically reduce or eliminate college-related debt

Fidelity Investments’ 2022 College Savings Indicator study revealed that 76 percent of parents have started saving for their kids to attend college, compared to 58 percent in 2007, the first year of the study.⁴ Although parents in the study said that saving for college is their number one priority, Fidelity reported that they are only on track to cover 27 percent of anticipated college costs. One reason is that many of the respondents said they were still paying off their own college debt.

Of those responding to Fidelity’s study, 81 percent agreed that a college education is worth its cost, though many are uncertain how much college will cost by the time their children enroll. Still, saving for college is the number one priority for their families—even outranking retirement.⁴

The benefits of 529 plans

There are a lot of different ways to start saving for college—and the sooner you do it, the more time your funds will have a chance to grow. If you open a 529 plan for a newborn, for example, you’ll have 18 years to contribute, with tax-deferred interest compounding annually.

Some people worry that a 529 plan might disqualify their child from receiving financial aid, but Fidelity’s study shows that 529 plans have minimal impact on the ability to qualify for financial aid. Plans are administered by state agencies, so plan options vary state to state. At College Savings Plans Network’s website, you can learn more about [your state’s 529 plan](#).

Some benefits of 529 plans include:

- Friends and family members can make gifts to college savings accounts.
- Some family members may have the option to open a separate 529 plan on behalf of your student.
- Your employer may provide more tax savings by allowing you to contribute to a 529 through payroll deductions.

While 529 plans are popular options for college savings, you have other choices as well, such as savings and investment accounts, savings bonds, certificates of deposit, and FDIC-insured high-interest savings accounts. Whatever option you choose, it’s best to do it sooner rather than later.

⁴ [Fidelity Investments® 2022 College Savings Indicator](#)

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Prior to investing in 529 Plan investors should consider whether the investor’s or designated beneficiary’s home state offers any state tax or other state benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in such state’s qualified tuition program. Withdrawals used for qualified expenses are federally tax free. Tax treatment at the state level may vary. Please consult with your tax advisor before investing.

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