

FINANCIAL INSIGHTS BLOG

BUDGETING | SAVING & INVESTING | THE ECONOMY

A Parent's Guide to Saving for College

With schools winding down, students looking forward to soaking in the dog days of summer poolside and high school grads gearing up for a new adventurous chapter in their lives, parents are without a doubt reflecting on how they can best give their children a leg up in life.

It is often said that the best investment you can make in your child is giving them a good education. But let's face it, the rising cost of higher-level education may make it seem like an untenable dream for many parents.

However, if you start planning and saving early for college the burden is less to bear.

Rising College Costs

In the past 20 years, the cost of college tuition and room and board has increased exponentially in many instances. For example, in the United States costs have increased roughly 65 percent and 44 percent respectively for private and public four-year institutions. In 2000, the total cost for college was on average \$17,500 per year. In the year 2020 the total cost of college shot up to about \$27,000 on average.

This means that if your child intends to go to college in the US, which is often the path many local graduates aspire to, a minimum of \$108,000 is needed to fund your child's college costs over four years, not including the cost of transportation, health insurance, books, and normal living expenses – like clothing and food which can run into thousands of dollars.

It is imperative that parents factor in these and any other auxiliary costs when saving for college.

Start Saving Now

Investing in a child's education is one of the most significant investments parents can make. As tuition costs continue to rise, planning and saving early for college become paramount. Here's why starting early is crucial for securing your child's future:



- Saving early allows for the power of compounding interest to work in your favor. By starting to save when your child is young, you give your investments more time to grow, potentially maximizing your savings.
- Planning ahead gives you the opportunity to explore various savings options and choose the best strategy to meet your goals. Early planning allows you to make informed decisions tailored to your financial situation.
- By consistently setting aside funds over time, you can reduce the need for loans and minimize the impact on your family's finances.

Consider Staying Local

Opting to enroll your high school graduate at the University of The Bahamas where the average estimated cost for a four-year degree is \$35,400 is a huge money saver. This option provides your child with a world class education, and these other benefits:

- Being closer to family.

- The potential to live at home or with relatives (for Family Island students) thereby incurring more savings.
- Connections to internships and career opportunities – Remaining local presents plethora networking opportunities for future career development.
- Familiar surroundings – Living away from home at a young age is not for everyone. Staying local allows students to ease into adulthood with closer guidance from their parents.

Encourage Your Student's Involvement

While some parents may be able to allow their students to focus solely on their educational pursuits in college, for many others that is simply not a reality. Though it may seem daunting, encouraging students to take proactive steps to contribute to their education fund can not only lead to increased savings but it can also build character. Here are practical ways for students to get involved:

Part-Time Jobs

Consider part-time work during high school and in college to help build a fund for miscellaneous expenses. Jobs like tutoring, babysitting, or retail can provide a steady income from which students can allocate a portion toward their college savings.

Summer Employment

While many teens want to lounge about during summer breaks, parents should encourage their children to utilize summer breaks to work more hours. Seasonal jobs often pay well and provide valuable work experience that can be an asset once students graduate college.

Scholarships and Grants

Research and apply for scholarships and grants early. Many organizations offer financial aid based on academics, sports, community service, or unique talents. Apply often to multiple organizations, and if at first you don't succeed, try and try again.



Teach Students Financial Literacy

If left to their own devices, it is very easy for college students to make irrational and irresponsible financial decisions. Many college students try to live outside of their means and fall prey to peer pressure while living on campus.

Teach your child early how to determine their wants versus their needs. For example, they may want a \$6 coffee every morning for breakfast, and it may feel like a need. However, teaching college students to find inexpensive alternatives to their wants – like brewing your own coffee in your dorm room – can set them up for financial success.

Talk to your college student about budgeting effectively and having a plan for their money. Guide them through tracking their spending and find ways to cut costs like using student discounts or buying used textbooks.

By taking these things into consideration early on you can ensure your child has a successful education and future.

CFAL is here to help.

The CFAL Education Plan has an affordable payment structure to help you achieve your education goals for your children. Visit: <https://www.cfal.com/cfal-education-plan> to learn more.

If you need additional help, feel free to reach out to us for a Financial Planning Session. Our Certified Financial Planners are here to assist you with your budgeting, saving, and investing needs.

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