

What's Your Financial Strategy for Your Kid's Education?

By Gemma Alexander

Chances are, when you started your family, your mind was filled with images of tiny toes and baby clothes instead of 529 plans and preschool scholarships. Few parents start out knowing just how they are going to pay for their little bundle of joy's education journey, from early child care through college. Who knew that private school can cost as much as college and that summer camps can run a thousand or more dollars a week? Saving for college might seem even harder if you're presently paying child-care expenses, but take heart.

"Everyone can save for their kids' education and for retirement, and no amount is too small," says certified financial planner Ali Criss. "Just get started. That's the hardest step."

Starting a money management habit

Unless you have so much money you can unironically say, "I'll write a check!" to pay for college, you need a budget. Thinking about big expenses is stressful, but it's even worse when you don't know where you stand. Face your fears and take the time to set up a budget you can live with — there can be no financial planning without a baseline commitment to general money management.

Many people swear by online budgeting tools, and there are several good ones to choose from. "It's fantastic if you can make them work for you. But personally, I find online budgeting software overwhelming," admits Criss. Especially if you're budget averse, a simple Excel file or even writing out a bare-bones budget on paper every time you get paid is a good start. Subtract your fixed expenses (such as your mortgage) and variable expenses (e.g., groceries) from your paycheck to determine your discretionary income: That's the amount you have to work with. Unless that number is zero, you can save for your child's education.

Setting priorities

"Don't sacrifice retirement for education," says Criss. "It's important to your children that you have a retirement." Ideally, you would max out your 401(k) contributions before starting to save for college. But many of us will never have that much to save and will have to set aside smaller amounts for retirement and college at the same time. "Start where you're at, no matter how low. Even \$25 a month helps, because of the time value of money. The sooner you save, the less you actually have to set aside," she notes. Once you have a regular savings habit, you can always circle back around to your budget to find ways to save more.



Paying for college

College is the last educational expense you'll have to pay for your child, but it's the first one you should think about. It's never too early to start saving for college. For most families, that means starting a [tax-advantaged 529 plan](#). There are two types of 529 plans: prepaid tuition plans and education savings plans. Washington state's GET program ([Guaranteed Education Tuition](#)) is a prepaid tuition plan.

"A lot of Washington families are using a combination of Washington GET and a regular 529," says Criss. "Some are using GET to pay for two years and a market-based 529 for the rest, or GET for all four years and another 529 for graduate school." But, she adds, "Don't think you have to pay 100 percent of all four years of college. Part-time jobs and student loans teach kids useful skills for later in life."

So, save as much as you can, then follow consumer banking company [Sallie Mae's 1-2-3 approach](#) to paying for college. First, look for money you don't have to pay back. Most of this will come in the form of grants and scholarships directly from your child's chosen school. Even so, it doesn't hurt to apply for private scholarships, too. Second, pursue federal loans, which have low fees and subsidized interest rates. Third, shop for private loans. Private college counseling services may help your child choose an affordable school and maximize their financial aid.

Managing child-care costs

Nobody really gets a chance to save for child-care expenses, which can begin within weeks of birth. Truly affordable child care is rare, but don't feel like you have to throw money at the problem, either. The most expensive option is not necessarily the best. Figure out what works best for your family and then file the cost under "fixed expenses."

"Sometimes it is less expensive for one partner to not work during the early years," says Criss. Especially if you have more than one preschool-age child, day-care expenses may exceed one person's income. Or, if you have the flexibility, juggling schedules or calling in extended family to help can reduce the number of hours of child care you have to pay for. A nanny-share arrangement with another family or a student au pair can be cheaper than other full-time options.

Don't forget to check with your employer's HR department to see if any child-care assistance benefit is available to you. On-site child care at one's workplace, when it exists, is often discounted for employees. You may also be able to save by using a dependent-care flexible spending account to pay for child care using pretax dollars. Finally, military families and families with significant need may be eligible for financial assistance.

Footing the bill for private school

As with child care, don't assume that the most expensive private school option is the best one. "I encourage people to look at public schools. Some of them are better than private schools. And if you have to sacrifice soccer and other outside activities to pay for private school, it may not be worth it," suggests Criss. But if you have looked at your public school options and decided private is still the best choice for your family, there are ways to make it more affordable.

Your first step is to check with the school itself. Most private schools have a limited number of scholarships available, but if you are eligible, these will make the biggest difference. The book "[How to Find Scholarships and Free Financial Aid for Private High School](#)" by Shay Spivey may help you find additional outside scholarships.

Under the new tax law, parents can [use their 529 savings](#) to pay for elementary and high school tuition. Because you are reducing your college savings, this may not make sense for your family.

Finally, families can often get discounts for paying tuition up front at the beginning of the year. If you use a cash-back rewards credit card to pay tuition in full, you can save even more — just make sure you can pay off the credit card before interest fees negate the discount.

Covering enrichment costs

Sports such as skiing and horseback riding are more than just hobbies, they are lifestyle choices requiring significant investment. But even activities that don't require as many resources can quickly get expensive, thanks to coaching fees, and costs of gear and travel to competitions. "How much you spend depends on the activity and how interested your child is. It's totally subjective how much your family is willing to sacrifice," says Criss.

For the kids who are both passionate and talented, national organizations for many sports have scholarship programs that can help pay for travel and participation fees. Olympian Ross Powers set up the [Level Field Fund](#), which provides grants to athletes who otherwise wouldn't be able to afford attending major qualifying competitions.

But no matter how serious your child is about an activity, Criss suggests that you continue saving for college. Savings are certain, athletic scholarships are a long shot. If your child remains uninjured and avoids burnout, you can always withdraw (with some penalties) from your 529 plan to pay for major competitions. Otherwise, like figure skater Bradie Tennell, you might have to start a GoFundMe campaign to pay for your family's trip to the Olympics.

Education Planning Resources

Child care

- [Childcare.gov](#) provides a guide to finding child care, which includes information on fee assistance programs for active military members, child-care subsidies and publicly funded child-care options.
- [Working Connections Child Care](#) is an income-based program that can help families pay child-care costs.
- [Seattle Child Care Assistance Program](#) helps eligible families living within Seattle city limits to pay for child care for children as old as 13 years.
- [A Dependent Care FSA](#) (DCFSA) is a pretax benefit account used to pay for eligible dependent-care services, such as preschool, summer day camp, before- or after-school programs, and child or adult day care.

College planning

- A [Washington GET](#) account helps families save and prepare for the costs of higher education.
- [Saving for College](#) helps families start, track and increase their child's college savings.
- [DIY College Rankings](#) is chock-full of resources to help families choose an affordable college and maximize financial aid.
- [Federal Student Aid](#) is the official website of the U.S. Department of Education.

Money management

Online budget tools

- [Mint](#)
- [Trim](#)
- [You Need a Budget](#)
- [Quicken](#)

Automatic savings apps

- [Acorns](#)

- [Digit](#)
- [Qapital](#)

Financial education

- [Smart About Money](#) is a program of the National Endowment for Financial Education that offers free online money management courses.
- “[The Feminist Financial Handbook](#): A Modern Woman’s Guide to a Wealthy Life” by Brynne Conroy
- “[The Wealthy Barber](#): Everyone’s Commonsense Guide to Becoming Financially Independent” by David Chilton