

Saving for Your Child's Education

Many parents dream of putting their children through college. But for parents with young children, four years of college could total nearly half a million dollars! The good news is that there are ways to help your children realize their educational goals, no matter their age.

Planning for Younger Children

The more time you have to save for college, the more options are available. For instance, your home is a great asset to pay for college. Refinance your home to a shorter term or lower interest rate to earn more equity to borrow later. If you refinance to a 15-year mortgage, your home could be paid off by the time your child is ready for college. Instead of paying the mortgage you can pay for college, or borrow against your equity to possibly get a tax advantage.



A variable life insurance policy can be a great way to protect your family and pay for college. Your contributions to these policies are invested, without the risk of losing your initial investment. And you can take money out of these policies tax free.

Mutual funds designed specifically for educational costs are called 529 College Savings Plans. When your child is ready for college, withdrawals from these funds are tax free as long as they are used for specific educational purposes.

Planning for Children Entering College in the Next Five Years

If you have five or less years before your child enters college, a high-interest Certificate of Deposit, or CD, may be a good option. FDIC-insured CDs are a safe bet because they will accumulate interest without the risk of losing your initial investment.

Series EE Savings Bonds and Series I Savings Bonds are other safe investments that offer special tax benefits when used for qualified education expenses and are exempt from Pennsylvania State Taxes.

Planning for Children Entering College Now

Most parents are aware of the State and Federal Loan Programs that you can apply for through a college financial aid office. But a home equity line of credit or loan is another option that could also give you tax breaks. Depending on the term you choose, you could have up to 30 years to repay the loans.