

## Should We Save for College Now?

Hypothetical workers Bill and Sue would like to start saving for college for their two preschool-age children. But they aren't sure if they're on track for saving for retirement—and they're wondering how to balance these competing priorities.

### **Assessing retirement savings**

Currently in their late 30s, the couple have a combined \$100,000 in their workplace retirement plans. Using an online retirement savings calculator, they discover they need to boost their total monthly contributions to their plans in order to save enough to cover their expenses in retirement. For now they can manage contributing \$750 instead of \$500 a month. As their salaries rise, the couple will work toward reaching the maximum contributions allowed to their employer sponsored retirement plans.

### **Funding for college**

Increasing their retirement contributions means Bill and Sue won't have much left over to set aside for college expenses on a monthly basis. So they'll use their \$1,500 income tax refund to open up a 529 college savings account, and add to it with future windfalls. The couple will benefit from the 529 tax advantages: Contributions grow tax-free, and money can be withdrawn tax-free to pay for college expenses such as tuition and supplies.

### **Planning for the future**

As Bill and Sue's income grows in the years ahead, they plan to set aside even more funds for college—but only after maximizing their retirement contributions. With this strategy they can be confident that they've made the best decisions for their family.