



GAIN AN EDGE BY SAVING EARLY

Opening a 529 when your child is young
gives you a head start on education savings

By beginning early, you give your family's savings more time to grow, harnessing the power of compounding returns and setting a solid foundation for your family's education savings goals.

Achievement starts early

As young or soon-to-be parents, you face many competing demands. In the whirlwind of diaper changes, late-night feedings and the joy of watching your child grow, planning for your loved one's future education can easily slip through the cracks. However, starting a 529 plan early can provide benefits and helps you stay on track to achieve your education savings goals.

1. Give your savings more time to grow

Starting early allows you to maximize the benefits of compounding returns, where you earn interest not just on your original savings but also on the interest previously earned. This compounding effect can enhance the growth of your savings over time.

Imagine a family makes an initial contribution of \$5,000 when their child is born and continues to save \$100 monthly. By the time their child is ready for college, their 529 plan could have a value of \$53,419.15. This growth is a direct result of consistency and the power of compounding returns. Smaller, steady contributions can lead to meaningful savings over 18 years.

It's never too early to start saving

Initial deposit	\$5,000
Monthly investment	\$100
Years investing	18
Growth rate	6%
Total invested	\$26,600.00
Future value	\$53,419.15

This hypothetical example is for illustrative use only and does not reflect an actual investment in any specific 529 plan. The hypothetical example assume a monthly contribution of \$100, return on average annual investment of 6% and no withdrawals during the 18 years. This example's assumed rate of return is not guaranteed and actual returns will vary. Please keep in mind that withdrawals from 529 Plan account that are not used to pay for qualified education expenses of the beneficiary are subject to federal taxes (including a 10% federal penalty tax).

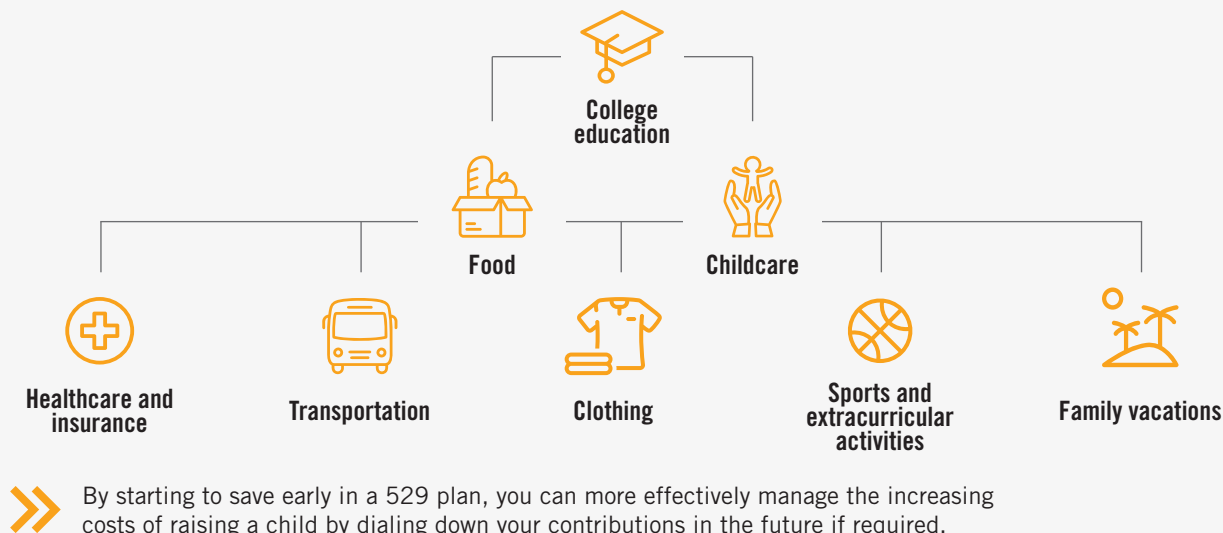
2. Work toward potentially limiting your child's student loan debt

Borrowing money for college is often easier than paying it back. By saving early, you can accumulate more funds over time, potentially reducing the need for student loans. This can ease the financial burden on your child and set them on an easier path to financial independence without the weight of debt.

Currently, the average federal student loan debt balance stands at **\$38,375**.¹ By contributing to a 529 plan early, you can give your child a stronger financial start to their adult life.

3. Children tend to become more expensive as they get older

It's hard to imagine when you're in the thick of raising a young child, but children tend to become more expensive as they grow. The costs of raising a child include food and, for many, childcare. Families must also consider healthcare and insurance expenses, transportation, clothing, sports and extracurricular activities, and family vacations. Depending on the college or program they choose, a college degree can also be a significant expense for families. It all adds up.

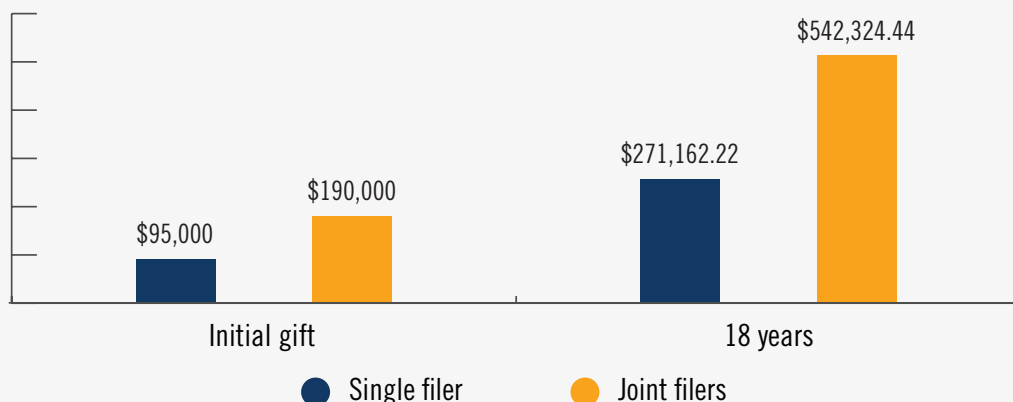


4. Let your family and friends help

When a child is born, family and friends often want to celebrate and help. Many offer gifts, and one meaningful gift they may not have considered is contributing to your child's 529 plan. It is a gift that will last a lifetime and provide substantial benefits to your child's future education. An online tool like Ugift® makes it easier for family and friends to contribute to your child's 529 plan.

Family and friends can also make significant contributions to your child's 529 plan while also taking advantage of tax benefits. For instance, by making a lump sum contribution under the accelerated gifting provision, an initial gift of \$95,000 could grow to **\$271,162.22** over 18 years, while an initial gift of \$190,000 could grow to **\$542,324.44**.

Starting early with an accelerated gift



Family and friends can have a profound impact by making early contributions to your child's 529 plan.

This hypothetical example is for illustrative use only and does not reflect an actual investment in any specific 529 plan. The hypothetical example assumes a one-time lump sum contribution of \$95,000 or \$190,000, return on average annual investment of 6% and no withdrawals before 18 years. This example's assumed rate of return is not guaranteed and actual returns will vary. Please keep in mind that withdrawals from the 529 plan account that are not used to pay for qualified education expenses of the beneficiary are subject to federal taxes (including a 10% federal penalty tax).

5. Create more opportunities for your child's education

Having more resources can provide your child with more options when choosing colleges and programs. Their dream career may require attending a more costly school or specialized program. With a well-funded 529 plan, you can help give them the freedom to pursue their education and career dreams with fewer financial constraints.

The funds in 529 plans are not limited to college tuition. They can also be used for K-12 tuition education, vocational and trade schools, on and off-campus housing, food and meal plans, books, computers, as well as many other expenses. This flexibility helps your savings adapt to your child's education needs over time.

6. Prepare for the unexpected

Life can be unpredictable. By saving early for your child's education, you safeguard your plan against future uncertainties. Job loss, health issues or other unexpected events can put a hitch in your savings plans. However, with a head start on your family's education savings, you can navigate these difficult times with more confidence, knowing you have already laid the foundation for your child's education.

Starting a 529 plan early is a strategic financial decision that offers many benefits, from maximizing the potential for compounding returns to providing flexibility and security against life's uncertainties.

**TO LEARN MORE ABOUT
SCHOLAR'S EDGE 529 PLAN,
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¹["Student Loan Debt Statistics"](#), EducationData.org, January 15, 2025.

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