



a step-by-step guide to prepare your family for life's challenges.

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## PART 2: HOW TO SET UP A COLLEGE SAVINGS FUND

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### STEP 1: Choose a college savings plan

- Educational Savings Account (ESA) – Also known as an “Educational IRA”
- 529 Plan
  - Investment plan
  - Prepaid Tuition plan
- Other options I'm considering: \_\_\_\_\_

To help you make the best choice, answer the following questions about your situation and the plan you're considering:

- How much money do I want to contribute yearly?
- How many years do I have left to contribute before my child will need the funds?
- What are the tax incentives in my state?
- How well rated is my state's 529 plan?
- How has the plan performed for the past 3 years?
- What are the investment options?
- What are the fees for opening, maintaining, and managing the fund?

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 My choice of savings plan: \_\_\_\_\_

## STEP 2: Read the program description

IMPORTANT: Before you invest in any savings plan, make sure you read the fine print in the program description. Write any important information or questions below:

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## STEP 3: Gather needed information

To set up the savings plan of your choice, you'll need some basic information about both the account owner (likely you) and the beneficiary (your child). Make sure you know the following:

- Social Security Number
- birth date
- address
- (optional) your bank routing and bank account numbers for automated electronic contributions

## STEP 4: Choose your investments

Which kind of investments you choose will depend on several factors. Answer the following questions to help you decide:

- What are the investment options offered by your plan?
- How many years will your money have to grow before it will be needed?
- How much time/effort do you want to spend managing the investments?
- How much risk are you willing to take?

Financial professionals generally agree that higher risk investments have the potential for higher rates of return ("Risk and Return Spectrum").

On a scale of 1-10 (10 being most risky), how much risk are you willing to take?



**STEP 5: Open an account and start SAVING!**

Once you have opened your account, set up regular payments to keep saving. You can do this manually, or set up automatic transfers.

How MUCH should you be saving?

That's a personal choice, but Fidelity Investments recommends that you have \$2000 dollars of principal investment in your plan for each year of your child's age.

Savings formula:

$$\boxed{\phantom{000}} \times \$2,000 = \boxed{\phantom{000000}}$$

**AGE OF CHILD**
**IDEAL CURRENT INVESTMENT**

Savings Plan by Child			
Child Name	Monthly payment	x 12	Yearly contribution
		x 12	
<b>TOTAL yearly contributions to all plans:</b>			