

# Saving For College As A Newly Single Parent: A Comprehensive Guide

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As a newly single parent, saving for your children's college education can seem daunting, but with careful planning and informed decisions, you can create a solid financial strategy to secure their future. At HB, this is an area in which we routinely advise our clients. Below are some of the essential steps and considerations that are part of building a successful college savings strategy.

## Set Clear Saving Goals

Define your college savings goals by considering factors such as the number of children you have, their ages, and the type of colleges they might attend (public, private, in-state, out-of-state). Use online college savings calculators to estimate future college costs and determine how much you need to save annually to reach your goals.



## Explore Savings Options

There are several savings plans designed specifically for education expenses. Each option has its benefits and potential drawbacks:

- **529 College Savings Plans:** These state-sponsored plans offer tax advantages, including tax-free growth and tax-free withdrawals for qualified education expenses. Some states also provide tax deductions or credits for contributions. 529 plans typically have higher contribution limits and allow anyone to contribute, including family and friends.
- **Coverdell Education Savings Accounts (ESA):** These accounts offer tax-free growth and withdrawals for qualified education expenses, including K-12 expenses. However, they have lower contribution limits (\$2,000 per year) and income restrictions, which may limit their usefulness for higher earners.

- **Custodial Accounts (UTMA/UGMA):** These accounts allow you to save money for your child, which can be used for any purpose, including education. However, the funds are considered the child's assets, which may impact financial aid eligibility, and there are no tax advantages specifically for education.

### Automate Your Savings

Automating your savings can help ensure consistency and discipline. Set up automatic transfers from your checking account to your chosen college savings plan. By treating your savings like any other monthly expense, you make it a priority and reduce the temptation to skip contributions.

### Take Advantage of Employer Benefits

Check if your employer offers any benefits related to education savings. Some companies provide matching contributions to 529 plans or offer scholarships for employees' children. Participating in these programs can significantly boost your savings without additional strain on your budget.



### Maximize Tax Benefits

In addition to the tax advantages offered by specific education savings accounts, you may be eligible for other tax benefits:

- **American Opportunity Tax Credit (AOTC):** This credit offers up to \$2,500 per year for each eligible student for the first four years of college.
- **Lifetime Learning Credit (LLC):** This credit provides up to \$2,000 per year per tax return for qualified tuition and related expenses for eligible students enrolled in an eligible educational institution. Unlike the AOTC, there is no limit on the number of years you can claim the LLC.

### Consider Financial Aid and Scholarships

While saving for college is crucial, it's also important to explore other funding sources:

- **Scholarships and Grants:** Encourage your child to apply for scholarships and grants, which do not need to be repaid. Many organizations offer awards based on academic achievement, talents, community service, and other criteria.
- **Financial Aid:** Fill out the Free Application for Federal Student Aid (FAFSA) annually to determine your child's eligibility for federal, state, and institutional financial aid.

## Conclusion

By taking these steps and staying committed to your savings goals, you can confidently plan for your children's college education. Remember, every contribution, no matter how small, brings you closer to providing them with the opportunities they deserve.

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If you are a [suddenly single woman](#) and would like to discuss your finances, and life goals, or if you need assistance starting these conversations, visit [homrichberg.com](https://www.homrichberg.com), email us at [info@homrichberg.com](mailto:info@homrichberg.com), or call 404.264.1400.

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