# ABCs of Investing for College

Invest early. Invest often. Invest for growth. These are the basic principles of saving for your child's college education. The earlier you begin a savings program, the more time you have to benefit from the power of **compound interest**. For example, if you start saving $200 per month when your child is an infant with a 7% rate of return, you could accumulate as much as $86,000 by the time he or she reaches age 18 (assuming no taxes or inflation). These savings can go a long way toward helping your child get a solid start in life.

It is also worth remembering that you need not amass the total cost of a college education by your child's freshman year. You can continue to *add* to your investments, allowing time for potential growth until your child's final year.

Even if you begin investing later in your child's life, it is still worthwhile to "think growth." Many parents invest too conservatively to obtain the capital they need in the number of years available. However, there are growth strategies for *all* planning horizons. Let's look at a few of them:

**Infancy to Age 10.** If your child falls into this age group, you have eight to 18 years to save the funds you need. More aggressive investments, such as stocks and stock mutual funds, may offer the potential for a greater return over time. Although equities are generally considered higher risk than certain fixed-income investments, with time on your side, you are more likely to experience greater portfolio growth over the long term.

**Ages 10 to 14.** If your child is in this age bracket, you have four to eight years to invest. A balanced portfolio combining growth stocks, stock mutual funds, limited maturity bonds, and bond funds may offer the best of both worlds—the benefit of

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potential equity growth, along with the reduced risk of bonds and bond funds.

**Ages 14 to 18.** With less than four years to enrollment, you may want to consider investments that offer both income and liquidity. Securities, such as Treasury bills, limited maturity bonds, and bond funds, offer the potential for relatively conservative growth, reduced risk, and liquidity.

Regardless of your planning horizon, a *well-diversified* portfolio will help you spread your investment risk. As your child nears college age, consider reducing your stock holdings and shifting the funds into short-term bonds or fixed-income securities that will mature when tuition is due. Bear in mind, you may not want to pull out of growth investments completely. Remember, you have three years to go until you receive the senior year tuition bill. For assistance in optimizing your child's college fund, consult a qualified financial professional.

*Note: Investment returns and principal values of stocks and mutual funds will fluctuate due to market conditions. Therefore, when shares are redeemed, they may be worth more or less than their original cost. The principal value of bonds may fluctuate due to market conditions. If redeemed prior to maturity, bonds may be worth more or less than their original cost.

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