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Help Your Children Live Their College Dreams—Without Student Debt Nightmares

Whether college is 18 years away or around the corner, taking smart, proactive steps can help minimize student debt.

Key Points

- Most parents expect to share the cost of college with their children through student loans.
- Parents need to balance saving for their child's college education with paying the bills, saving for retirement, and often paying off their own student loans.
- To help children avoid student debt, there are a number of options parents can take, both when children are young and as college draws closer.

If you've experienced the burden of student debt, you're in good company. There are more than 46 million Americans in the same boat, and student debt in the US has swelled to more than $1.7 trillion.[1]

How do you help your child avoid the burden of student debt? How do you do it while you pay the bills? Save for your retirement? Pay off your own student loans?

The most important thing to recognize is that there's no "one-size-fits-all" solution. Everyone has different expenses and priorities, and that's okay.

Saving for College vs. Saving for Retirement

Trying to save for your child's education at the expense of everything else may be unwise. First and foremost, work toward accumulating an emergency fund of at least a few months' living expenses, because it's always a good idea to be prepared for a rainy day. Then, consider your own retirement fund.

If you haven't been contributing to a retirement plan, start today. Contributing early and often allows for compound interest to work its "magic" most effectively. And if your company offers a 401(k) match program, make sure you're contributing at least enough to get the full company match. Otherwise you're throwing away "free money."

It may be tempting to put your child first and forego contributing to your retirement, but you can't borrow for retirement, and you need to look out for yourself, too. The most prudent approach is to save for both as best you can.

Saving for College vs. Paying off Your Student Loans

If you're still juggling your own student loans, take stock of what you owe. Organize your loans by lender, size, and interest rate. Can you consolidate federal loans? Are you able to refinance private student loans for a more favorable interest rate?

If you work in a field that may offer federal student-loan forgiveness, such as teaching or nursing, explore what you need to do to receive those benefits. Some private companies have introduced the benefit of matching whatever you

[1] LendingTree, "Student Loan Debt Statistics," 8/16/24.

contribute to your student debt per month in your 401(k), up to a certain limit. When searching for a new job, this may be something worth considering.

If none of these options apply to you, one of the most effective ways to pay down your own student debt is to accelerate the payments, even if it's only a little bit. A windfall, such as an annual bonus or a holiday gift, can help chip away at the principal, too.

Once you have a handle on your own finances, you can take the first step toward saving for your child's education.

If Your Child Is a Preteen

If your child is still young, time is on your side. Many parents choose a traditional savings account. This is a legitimate way to put aside college funds; however, interest rates are low, and growth can be slow.

Another option is a 529 college savings plan, which can allow for more growth potential than a savings account. These plans were specifically designed for college savings, but 54% of parents aren't aware of them.[2] They're typically invested more aggressively while the beneficiary is young and more conservatively as college draws closer.

The earlier you're able to start contributing to a 529 plan, the better. Even contributing a small amount on a consistent basis can make a huge difference. Those funds may grow over time thanks to compound interest and the power of the market.

Withdrawals from 529s are tax-free when used for qualified education expenses.[3] This includes not only college tuition, but also supplies, room and board, equipment, and vocational or technical training. You can also use up to $10,000 per year for K–12 tuition, cover costs for approved apprenticeship programs,[4] and apply a $10,000 lifetime limit toward student-loan repayment. Bottom line: 529 plans are highly flexible and effective tools for education savings.

Shopping around for the best 529 plan is a good idea because the tax advantages vary from plan to plan and state to state. Research different plans online or work with a financial professional to find out which savings tools are best for you.

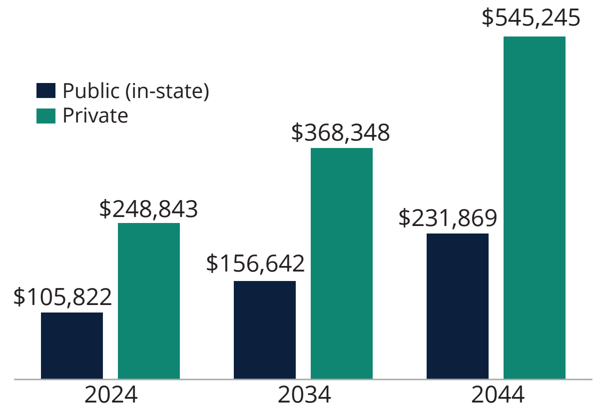
If Your Child Is a Teenager

Even if you've missed out on saving during the early years, that's okay. There are still ways to try to make the cost of college a little bit more manageable for you and your child.

Even late in the game, a 529 account can still be helpful. Most plans will suggest conservative investments for older beneficiaries, but some plans do offer more aggressive

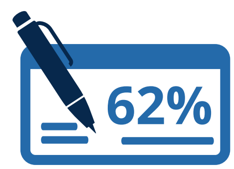
Did You Know?

Average total costs and projected costs of 4-year college tuition, room, and board:*



Average amount covered by grants and scholarships in 2023-24†

62% of families who borrowed say that it was always part of their plan†



* Source: The College Board, "Trends in College Pricing and Student Aid," 2024. Based on average total charges for tuition, plus room and board for one year (2024-2025) amounting to $24,920 at a public, in-state, four-year college, and $58,600 at a private, four-year college. For illustrative purposes only. Assumes 4% annual increases. Future college expenses may be higher or lower than the amounts shown.

† Sallie Mae, "How America Pays for College 2024," 2024.

[2] Education Data Initiative, "College Savings Statistics," 1/28/25.

[3] Non-qualified withdrawals are taxable as ordinary income to the extent of earnings and may also be subject to a 10% federal income tax penalty. Such withdrawals may have state income tax implications.

[4] 529 plans can be used for apprenticeship programs registered and certified with the Secretary of Labor under the National Apprenticeship Act.

options no matter how close to college age your child is. In either case, they're still tax-advantaged accounts and worth considering. Investment returns aren't guaranteed, and you could lose money by investing in a 529 plan.

The year before your child starts college, you'll need to complete the Free Application for Federal Student Aid (FAFSA) to be considered for federal aid. The FAFSA opens each fall, and it's best to apply as early as possible—even before your child has chosen a school. Some aid is limited and awarded on a first-come, first-served basis, so early submission may increase your chances of receiving more support.

Talk It Out

Many parents plan to share college costs with their child through student loans, so it's important to talk about it and work together. Well before college, be clear about the plan and about how much will be covered by loans. Planning and transparency helps your child start saving, seek out grants or scholarships, and focus their search on schools where the price is right.

Student debt can be shocking. Help your child understand the reality of paying for college and what their financial status could look like after college. Some meaningful questions to explore together:

- What's the total estimated cost of attendance (not just tuition), and how might that vary between schools?
- Are loans more likely to be federal or private, and what are the associated interest rates?
- What role does a credit score play in borrowing and refinancing, and how can a student begin building a strong credit history early on?
- Is there a realistic avenue for athletic or merit-based scholarships, and what's the backup plan if it doesn't come through?
- Do any schools offer perks such as free housing for resident assistants or tuition breaks for student workers?

College is a big dream with a big price tag. As your children juggle school and growing up, help them prepare for the future by teaching them about loans, interest rates, and the impact of student debt. The sooner you start saving for college, the more time your money has to grow, and the easier it is to stay on top of other financial priorities. Speak with your financial professional, use an online college savings calculator and resources, and talk to your children about a plan. Together, you can make college dreams come true—without student debt becoming a nightmare.

Speak with your financial professional about how your family plans to save for higher education.

State tax treatment may vary from federal tax treatment when using withdrawals from a 529 account for K-12 tuition, apprenticeship costs, or student loan repayment. Consult with a qualified tax or legal professional to learn more.

Before investing, an investor should consider whether the investor's or designated beneficiary's home state offers any state tax or other state benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in such state's 529 plan.

For more information about any 529 college savings plan, contact the plan provider to obtain a Program Description, which includes investment objectives, risks, charges, expenses, and other information; read and consider it carefully before investing. Hartford Funds Distributors, LLC serves as distributor and underwriter for some 529 plans.

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