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More families save for college, but many don't understand best practices

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More families are saving for college, but many parents still don't understand the best ways to save, according to a recent College Savings IQ Survey from Fidelity Investments.

For Kyla Michaud, vice president of Fidelity Investments, a good way to start is by opening a tax-advantaged 529 college savings plan, which allows account holders to choose how their contributions are invested over time as the beneficiary ages.

“One of the big benefits of a 529 plan is the flexibility,” Michaud said, adding that parents don't often realize the high level of control account holders have and what expenses the plans can cover. “It's not just for tuition. It's books. It's fees. It's room and board. The list goes on.”

Survey results, which were drawn from 1,984 respondents online, showed that many parents are underestimating college costs and report not having a good idea of how much they should be saving each month.

Despite that, parents are hoping to reduce the debt their children take on, perhaps because of their own experience dealing with college debt. As many as 37 percent of parents with kids in high school report they are still paying student loans, according to the results. That figure rises 68 percent for parents of preschool-age or younger children.

For Michaud, the best thing families can do to save for their child's college education is to start immediately and make contributions automatic. She said families often struggle starting out because they lack a plan.

When it comes to checking whether you're on track, Michaud recommends a rule of thumb: multiplying your child's age by \$2,000. This number represents the amount families would want to have saved to be on track to cover 50 percent of college costs for a four-year public institution.

Results also showed that parents with a 529 college savings plan reported saving more than those without. Plan owners reported saving a median of \$300 a month versus a median of \$200 a month for those saving without a 529 plan.



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The firm recommends that college savers contact a financial professional, create a financial plan and to ask for contributions instead of birthday or holiday gifts from relatives.

Saving early can pay dividends in the long-term when it comes to parents helping their children graduate free of debt. More information about college savings plans is available at www.collegesavings.org.

Parents can also compare the costs of colleges through the College Scorecard maintained by the U.S. Department of Education, which is available online at collegescorecard.ed.gov.

More information about saving for college is available at studentaid.ed.gov/sa/resources/parents.

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