

Essential 
Strategies



Annual
COLLEGE SAVINGS
Indicator

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INTRODUCTION

Paying for a child's education is one of the most significant financial challenges parents face today. With rising tuition costs and the increasing burden of student debt, it's more important than ever to have a solid plan in place. This guide is designed to help you navigate the complexities of saving for your child's education, offering insights and strategies that can make a difference in your financial planning.



Key Findings:

Recent research by Essential Strategies reveals that saving for college is the top financial priority for most parents. However, despite this focus, many families struggle to save enough to cover the full cost of college. Here are some key findings:

- Saving for college is the top financial priority for most parents.
- A majority of parents (77%) believe that college is still worth the cost.
- Parents aim to cover about two-thirds of the total college cost, but Essential Strategies estimates that only 30% are on track to meet this goal.



Trends in Savings

Top Financial Priority

For most parents, saving for their child's college education is their primary financial concern. A 2024 College Savings Indicator Study shows that nearly three-quarters of parents have started saving, up significantly from previous years. Despite the challenges posed by inflation and rising costs, the majority of parents still believe in the value of a college education.

College Value Perception

Despite the uncertainties surrounding the future costs of higher education, 77% of parents agree that the value of a college education justifies the expense. However, the gap between expectations and reality is concerning. While parents hope to cover about two-thirds of the total cost, they are only on track to meet 30% of that goal. This shortfall underscores the importance of effective financial planning and the need for parents to take proactive steps in their savings journey.

Savings Shortfall

One of the most concerning findings from the study is that 30% of parents are unsure what the full sticker price of college will be when their child enrolls. This uncertainty, coupled with the fact that more than half of parents rely on their own best guess to estimate future costs, highlights a significant savings shortfall. It's clear that many families are not adequately prepared for the financial demands of higher education.

UNDERSTANDING THE COSTS AND BARRIERS



Rising Costs & Inflation

Inflation and the rising costs of college are major concerns for parents. The study found that 93% of parents are worried about how these factors will impact their ability to save for their child's education. Additionally, changes in education costs, such as the potential for free tuition or student debt forgiveness, add another layer of uncertainty.

More than a quarter of parents (26%) say inflation is the most significant barrier to saving more for college. This makes it crucial for families to understand how these external factors can affect their savings goals and what they can do to mitigate these challenges.

Estimating Future Costs

Many parents are struggling to accurately estimate the future cost of college. The Essential Strategies study found that while parents aim to cover a substantial portion of their child's education, 55% use their own best guess to estimate these costs. This approach can lead to significant underfunding, especially when you consider the unpredictable nature of tuition increases and other related expenses.

Utilizing 529 Plans

One of the more popular ways to save for college is by using a 529 plan. These plans offer tax advantages and flexibility to help families maximize their savings. Recent changes in legislation, such as the SECURE Act 2.0, have made 529 plans a bit more flexible. Under certain rules and conditions, 529 plan assets can now be transferred to a Roth IRA for the beneficiary, providing a potential retirement boost for the child(ren).

This new rule allows parents to avoid taxes and penalties for withdrawals. For parents worried about their child not attending college, this flexibility can provide peace of mind by ensuring that the funds can still be used beneficially..

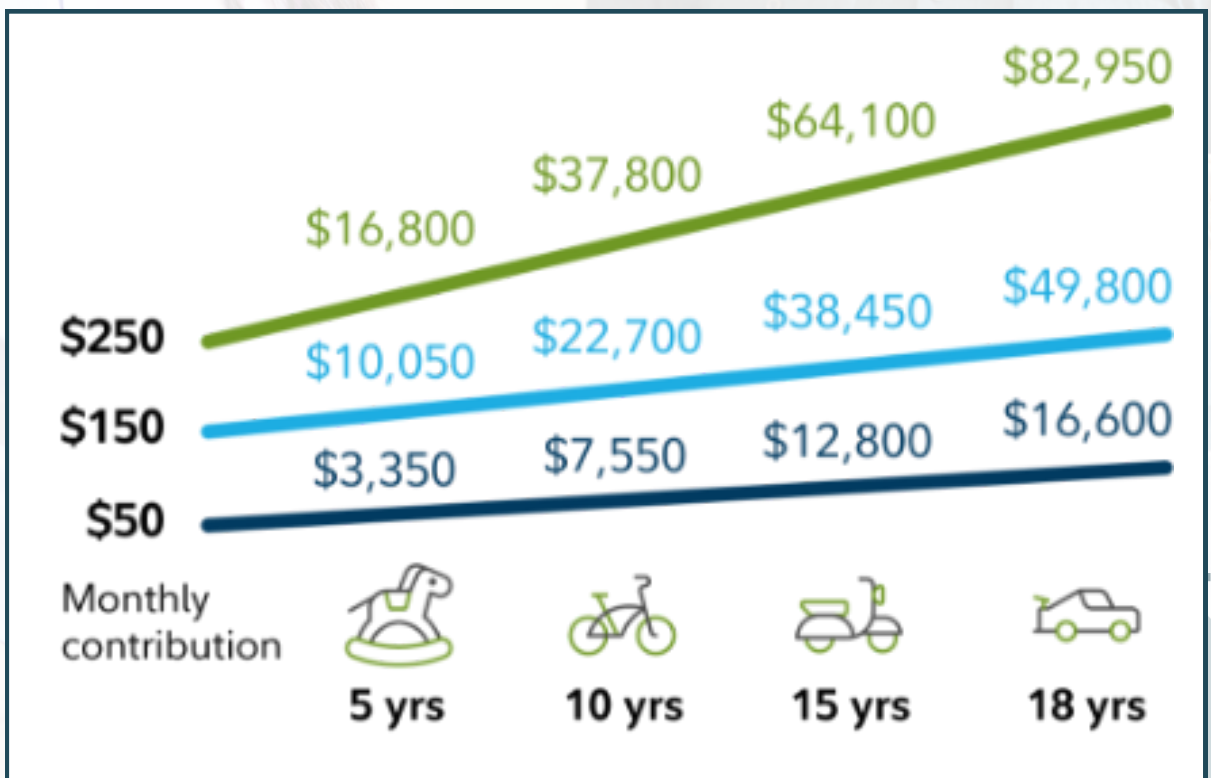
Regular Contributions

Regular contributions, even if they are small, can accumulate over time and significantly ease the financial burden of college expenses. For example, by contributing a modest amount each month to a 529 plan, parents can take advantage of compound interest and potentially grow their savings substantially over time.

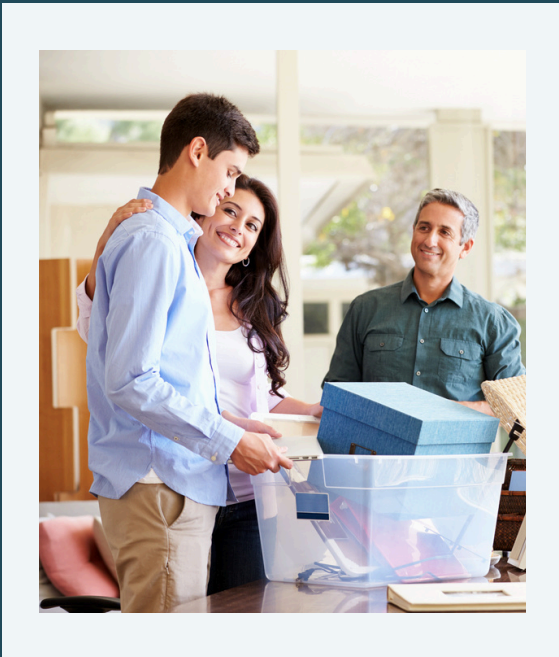


College Savings Contribution Growth

Consider this hypothetical example: If you were to contribute \$100 per month to an account over 18 years with an average annual return of 4.5%, you could accumulate approximately \$35,000 by the time your child is ready for college. Increasing the monthly contribution to \$200 could result in nearly \$70,000 in savings. These numbers illustrate the power of regular contributions and the impact of time on your savings.



CONVERSATIONS WITH YOUR CHILD



Discussing Costs & Debt

One of the most essential steps in preparing for your child's education is having open and honest conversations about the costs involved. Surprisingly, 26% of parents have not discussed the cost of college

with their child, and 35% have not discussed the amount of student debt their child may incur.

Starting these conversations early can help set realistic expectations and encourage your child to be more involved in the planning process. The Essential Strategies study found that parents who have these discussions are more likely to start saving, open a 529 plan, and accumulate more savings overall.

Impact of Conversations

The data shows that parents who talk to their children about college costs are more likely to take actionable steps toward meeting their savings goals. For example, 44% of parents who have had these conversations have opened a 529 account, compared to just 29% of those who have not. Additionally, parents who discuss these topics with their children tend to save more—an average of \$20,000 compared to \$12,000 for those who have not had the conversation.



CONCLUSION

Next Steps

Planning for your child's education is a significant responsibility, but with the right strategies and tools, you can make informed decisions that will benefit your family in the long run. Essential Strategies is committed to helping parents improve their college savings strategies and provide the resources needed to succeed.



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Brian Eyster is the visionary founder of the G.R.A.D. Process, a groundbreaking system created to help parents

navigate the challenge of paying for their children's college education without sacrificing their retirement goals. With a reputation for expertise, professionalism, and unwavering integrity, Brian has forged deep connections with business professionals and families, both in the Detroit area and across the nation—relationships that often transcend business and evolve into enduring friendships. Over his 15-year career, Brian has developed a profound understanding of the financial needs of professionals, physicians, and executives. His personal experiences have shaped his approach to wealth management, risk mitigation, resource allocation, and college funding strategies. As a highly sought-after speaker, Brian shares his knowledge on Generational Family Wealth, Business Planning, Succession Planning, Exit Strategies, Creative Funding for College, Risk Management, and Tax-Advantaged Strategies. Clients trust and respect Brian for his commitment to delivering exceptional service. His G.R.A.D. Process is a testament to his dedication, helping families achieve financial stability and growth without compromising their future.